WP

07120

REVIEW OF CALIFORNIA COASTAL PLAN

VOLUME I

APRIL 1976

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TABLE OF CONTENTS

Chapter I is an overview or summary of all the studies made and materials gathered for this study. It is intended for the general reader. Chapters II through VI provide more detailed information and explanation for the general reader. Volume II, which is published separately, contains the complete text of individual studies and reference material. Volume II is intended as a working document for technical readers.

CHAPTER I

OVERVIEW OF COASTAL PLAN POLICIES

by
Legislative Analyst

Senate Resolution No. 41, approved by the Senate on September 11, 1975, directed the Legislative Analyst to study and report to the Senate and Assembly on the costs, economic impacts, and benefits of the California Coastal Plan as submitted to the Legislature on December 1, 1975 by the California Coastal Zone Conservation Commission.

SR 41 was based on the preliminary version of the plan which was available last summer. It was drafted broadly to include the study of virtually all portions of the plan in its preliminary form.

Final Plan

The final plan, when released in December, contained 162 policies for governing the coastal area and 44 recommendations on organization and procedures for implementing the plan. These policies and recommendations did not contain specific plans for action nor did they spell out solutions to coastal problems. The plan is actually a series of guides and recommendations for coastal conservation and development which are proposed as the basis for implementing subregional and specific area planning designed "to protect the unique qualities of the coast". Future planning would be conducted by the successor coastal agency and units of local government. In only a few instances are specific coastal areas or lands the subject of precise statements describing what should happen to the lands, such as purchase by the state.

The plan is not the same as Proposition 20. Its explicit extension into social, housing, energy, agricultural, esthetic and transportation policies associated with coastal conservation and development means that the experience under Proposition 20 of reviewing individual permits for projects cannot be assumed as a guide to the impact of the plan. The plan, for example, contains social and economic goals with respect to housing and the type of employment available along the coastline. It is much more comprehensive than a series of individual project permits.

Approach of Study

The approach selected for this study was to seek to understand the intent, implications, and prospective application of the Coastal Plan policies. Individual policy areas or problems were selected for study on the basis of:

1. Completeness of policy statement. For example, the policies on energy, urban transportation, industrial locations and ports are not sufficiently specific to permit their application to most conditions for study.

2. Significance to the Legislature. Priority attention was given insofar as possible to policy areas which have been of greatest concern to the Legislature in the past.

3. Availability of data for study. Sufficient useful and meaningful data had to be available to justify a study effort . Where data were limited, typical or illustrative situations were explored.

4. Availability of consultants. Due to the limitation of time, selecting consultants with relevant expertise or some knowledge of the California coastline or the Coastal Plan policies, and time available to work on the project was a necessity.

Policy studies were approached by selecting the policies that pertain to a problem, applying the general policies to a specific problem, balancing the application of conflicting policies and, then, if possible, relating or extrapolating specific policies to the great variety of conditions along the coastline. These conditions range from the Los Angeles International Airport, to the agricultural areas of San Luis Obispo County, to the rugged redwood bluffs of the north coast. Ideally, consideration to the changing context of future statewide, national or international conditions influencing energy supply, economic conditions, public attitudes towards vehicular transportation, varying employment levels, new tax policies, etc., was also desirable. Clearly, the wide range of conditions posed significant difficulties. The practical problems of overcoming them (along with restricted time and money) limited the results that could be achieved through this study or any similar study of the plan.

The staff of the Coastal Commission cooperated fully in this study. The Administration and the Resources Agency provided invaluable assistance by coordinating work for purposes of SR 41 with their own reviews of the Coastal Plan. Such participation broadened and extended the amount of work which could be accomplished pursuant to SR 41 and provided this study with greater detail and depth.

Economic Implications

The Coastal Plan proposes a system for governing the coastal area of California to protect its resources, enhance its environment and revise its social, recreational and agricultural structure. This preferential consideration of the coastline of necessity will reduce some property values and increase other values along the coastline. Restrictions and management requirements will be costly and will require support from the enhanced values created in the coastal area or transferred from the interior areas of the state.

The potential benefits of the plan are most clearly suggested by its objectives. The question whether the benefits will equal the costs, or whether the costs are too great for the benefits secured is not a matter which can be determined either precisely or objectively. To begin with, adequate data on costs and benefits are not available for such evaluation. Such calculations would also require the ability to apply all the plan's policies to specific conditions or data and then accumulate that information so as to produce an aggregate cost-benefit figure. In addition, it is not always clear who the beneficiaries of the plan are. For example, the plan imposes costs and limitations primarily on people who are able and desire to live along the coastline. This is done in order to preserve the coastline not only for these same people but also for people who live inland by choice, who are not able to live along the coastline, or who may or may not wish to visit the coastline. It may be claimed that both the coastal and inland inhabitants benefit from controlled coastal development. However, some of these intended beneficiaries may not view themselves as beneficiaries.

A review of the Coastal Plan from the perspective of economic theory as written by Professor Robert F. Rooney, an economist at California State University at Long Beach and Chairman of the South Coast Region California Coastal Zone Conservation Commission illustrates the problems cited above. Professor Rooney begins by stating that the plan is compatible with the economic trends of the future. That is, it recognizes the need to change our lifestyles by conserving energy, conserving our resources, reducing capital intensity and making fewer demands on the environment. He believes that if we do this and live in harmony with our environment we can embark on an extended period of economic and social progress. This observation essentially expresses public policy goals rather than conclusions from economic analysis. In fact, Professor Rooney professes no need for specific, data-based economic review of the plan.

Other documents, such as the critique of the Coastal Plan by the Institute for Contemporary Studies, present more commentary than economic or factual analysis. These two reviews are mentioned here only to emphasize that the major evaluations to date are in public policy terms. The attention to public policy results not only because of the broad implications of the policies contained in the plan but also because of their generality and the plan's lack of supportive economic and cost data.

A brief overview and summary of the specific conclusions derived from this SR 41 study follows:

Urban Residential Development and Redevelopment

The various elements of the Coastal Plan which would affect urban development were studied by ICF, Inc. under contract with the Office of the Legislative Analyst. ICF reported that the plan creates a new kind of development process in which the public, through its governmental institutions, is significantly involved. This occurs whenever larger development plans must be "negotiated" with the Coastal Commission and local governments in order to conform to the policies of the plan. It also occurs where government is directly involved in coastal urban redevelopment. That is, government purchases and consolidates land ownerships in order to permit removal of existing structures and then sells the land to developers. The developer constructs residential units with specified density, emphasis on low-income housing, public access to beaches (as appropriate) and adequate recreational and open-space, all in accordance with the plan policies.

The costs to developers include securing the necessary planning expertise, negotiating plan approvals, and the uncertainty of outcome. The costs to government are high because the equivalent of the increment of increased value in a traditional urban renewal project will be absorbed either by the costs of providing open-space and recreational amenities, or by the costs of land acquisition and site preparation (the latter would require a subsidy on the order of 60 to 80 percent). If the development doubled existing densities and provided that 20 percent of the housing would be for lower and moderate income groups, the public subsidy would amount to between 30 to 40 percent of the value of the new housing.

The redevelopment policies of the plan were given particular attention because (1) redevelopment could affect many people in the south coastal area, (2) it could be the dominant type of development in the south coastal area, (3) it could be expensive, and (4) it is new to coastal controls. The ICF study had to be kept limited in scope. This tended to minimize the treatment which could be given to savings and to accentuate the more easily described costs. Based on another study, "The Costs of Sprawl," (see Chapter V of Volume I) it appears that large, new development projects (but not redevelopment projects) would produce substantial savings to the private sector and local government.

The "Costs of Sprawl" is not a study of coastal plan policies, but shows the costs of alternative patterns for new development. The report shows in general how to minimize the costs of new urban development and its findings are relatively consistent with the policies of the coastal plan.

"The Costs of Sprawl" also shows that planned development can provide the potential to accommodate the air quality and transportation policies of the plan. This occurs when a new development or a redevelopment under the Coastal Plan is sufficiently large to include certain recreational facilities plus bus terminals or other transportation services, neighborhood shopping facilities and higher residential densities. These characteristics reduce dependence on the private automobile, with its relatively high contribution to air pollution.

However, any development, no matter how large, must be integrated with the transportation system and the air quality programs of the region behind the coastline. Although basic transportation, air quality and water quality policies are relevant parts of the coastal plan, they can be effectuated only to the extent that they are integrated with other planning and public policy decisions. To the extent that the policies of the coastal plan are subject to coordination with inland policies, it can be inferred from the above studies that the cost of restructuring the coastline according to the plan will be high and that significant air quality, transportation, water quality and other benefits can be produced from such major restructuring.

<u>Infilling of Communities</u>

The work done for this SR 41 study and other studies shows that there are economies available to local government from limiting growth in the short-tun to infilling of communities where existing public facilities and utility services are available. Generally speaking, such infilling is cheaper than extending facilities and services to new fringe areas under a pattern of leapfrog development. Nonetheless the time comes when continued growth will require large expenditures for public facilities and the opening of new areas to development.

Studies by the University of California (Berkeley) at Half Moon Bay now underway are addressing some of these problems. The University's study uses a data base of individual parcels of land to compare the impacts of development with assumed development patterns based on the coastal plan and official local development plans. This approach is more detailed and time consuming than conceptual analysis. The University has attempted to modify and expedite its work in order to provide information for this SR 41 study. The University is now completing a report which suggests how to approach the implementation planning of the coastal plan based on the experience of Half Moon Bay (State-Local Collaborative Planning for the Coastal Zone).

The data available from the University to date tends to confirm the efficiencies of infilling development practices and the high costs of adding public services and facilities. Capacity constraints of existing schools, water supplies, wastewater treatment facilities and roads are realistic limitations to development. Overcoming these constraint through new capital investments involves costs to the developer, the residents, and frequently to local government. Costs are also frequently involved for grants to finance new schools, water supplies and wastewater treatment facilities which are generally externalized (that is, paid from state and federal funds rather than local sources).

The implementation planning to be conducted by state agencies and local government provides an opportunity to rationalize development and increase its efficiency. However, this planning, if carried out according to coastal plan policies, will run counter to some state and federal policies which subsidize or assist in financing local public facilities on the basis of the <u>need to serve present or projected populations or local inability to finance expansion because the local tax base or bonding capacity is fully utilized</u>. The City of San Diego, in the instance of North City West, is seeking to internalize some of these costs and transfer them to the private sector by requiring the developer to finance the extra costs.

Providing low-income housing as proposed in the coastal plan can create problems. The available information from the City of San Diego and the Builders Council indicates (in studies of non-coastal housing) that if the ratio of low-income housing to medium and high-income housing is too high, the result tends to dilute the tax base needed to pay for public facilities, particularly schools. The policies of the plan do not speak directly and clearly to these problems but vacillate between emphasizing need for low-income housing, protecting agricultural lands while permitting needed development (after infilling), limiting sprawl type development, limiting high-rise structures and both increasing and restraining density.

Open or Natural Areas

The review of the impacts of coastal plan policies for non-urban, relatively open or natural areas, which was made by ENVIRON/MENTAL Consultants of Berkeley, did not show unusual cost or other impact considerations. This is in part because the policies relating to non-urban, relatively open areas, more closely approximate existing policies and the experience under Proposition 20 than is the case with existing urban development policies.

The visual and esthetic policies require some changes at state park units where more consideration will have to be given to location of parking areas, for example. In particular, attention will have to be given to acquiring additional land at some park units that will permit the visual policies to be applied. Information on policy application and cost considerations show how simple, visually and esthetically acceptable homes, park unit structures and other buildings can meet the plan policies with no major cost increase.

Attention to water conservation potentials and environmentally acceptable waste disposal systems can reduce some costs, particularly if water conservation and well designed, on-site wastewater disposal are employed.

The mapping of important viewpoints and concentrating on protecting these points and their views from visual intrusion appears to be less costly, more efficient and more logical than controlling all structures because it permits deemphasizing certain controls on areas which do not have visual significance.

Employment

An attempt was made to quantify the impact of the plan's policies on employment in the construction, fisheries, agricultural and recreation/tourism industries by studying four representative counties along the coastline. The policies of the plan may have significant impact on employment, for example, due to a decision on a power plant, the disapproval of a major port expansion, a decision affecting Los Angeles International Airport, or priority given to certain economic uses of the coastline. Such impacts are difficult to infer from the policies of the plan as presently stated. The task of applying the various applicable policies in the plan, evaluating the impact on the four employment segments, calculating the employment change using available data on employment while simultaneously allowing for economic trends, proved to be difficult. The effort to derive quantitative data is continuing and we propose to make available to the Legislature any substantive data which can be perfected.

Meanwhile certain generalizations can be made from the work completed to date. It appears that construction activity and employment along the coastline respond as much to national and statewide economic impacts as to local impacts or the influence of Proposition 20. It should also be noted that coastal employment in the construction industry is a relatively small segment of total employment. Some of the ways in which coastal policies affect residential and light commercial construction can be deduced from the ICF report, but these deductions are not sufficiently precise to permit development of specific employment figures.

It is obvious that construction and construction employment will also be constrained by local determinations with respect to providing public services which are essential to make development possible. Similarly, agricultural growth can occur in some areas only when new irrigation water can be supplied. Commercial fisheries employment will probably remain relatively stable because of the limits on the size of the commercial catch.

Recreation is given major emphasis in the coastal plan. Recreation and tourism are now major sources of revenue inflow to the coastline and provide significant employment. However, the coastal plan gives most attention to the recreation needs of individuals with respect to open-space and esthetics. It also emphasizes recreational fishing, hiking, swimming, camping, etc. It recognizes a need for motels, hotels, restaurants and certain higher cost facilities which tend to bring in dollars and provide employment, but it is relatively silent on the extent to which they will be permitted or encouraged. The transportation policies encourage recreational pleasure driving or touring of coastal sights. However, such driving is somewhat discouraged by the lack of roads and specific means to facilitate tourism.

Coastal Land Values

There is considerable agreement that Proposition 20 has affected land values along the coastline. It would appear from the relatively few sales of undeveloped land that, in general, undeveloped land has changed little in value.

On the other hand, land with a permit or judged by purchasers as likely to receive a permit under Proposition 20 has increased in value about 10 to 15 percent per year. Single family residences have been increasing in value about 15 percent per year according to the Real Estate Services Division of the Department of General Services. The division has found that buyers are generally willing to pay a premium to avoid the additional cost and delays inherent in securing necessary permit approvals for development.

The experience under Proposition 20 can be expected to continue or be accelerated under the Coastal Plan. The recent state purchases of coastal frontages and the additional purchases recommended by the plan, plus restrictions on the conversion of agricultural lands to residential, commercial, and industrial uses tend to reduce the supply of developable land

and give it scarcity value. Such high value should lower returns and inhibit investments. It will also increase the amount of subsidy needed for low-income housing. However, control of the conversion of agricultural land will tend to depress the value of such land and facilitate retaining it in agricultural use.

The use of scenic easements and the purchase of development rights to coastal lands as recommended in the plan was studied by the Real Estate Services Division. (See Supporting Document D, Volume II). The purchase of development rights was judged feasible primarily where medium value agricultural lands were involved. This is because the lands still retain a use value to the owner for agriculture even after the owner has sold the development rights.

Another prospective condition for the purchase of development rights was found in the more developed, urban portions of the coastline. Here property owners might be willing to sell the rights to more extensive future development of their propoerty. Of course, purchase of such future development rights would be worthwhile for the state only if it is determined that the existing development is compatible with scenic values and its continuation in that form of development is acceptable.

Most other conditions along the coastline did not represent opportunities for worthwhile savings over purchase of the fee title either because the value of the land was low due to its location in remote, marshy areas or because the primary value of urban land is for development which is not compatible with the plan.

There is a logical and theoretical basis to believe that increasing value of developable coastal lands will be reflected in some higher values of land located inland behind the permit zone or coastal resources management area. Data have not been found which measure whether this has occurred under Proposition 20 or support projections of any probable future change in inland property values.

Inverse Condemnation

When the Legislature was considering bills in 1971 to establish a coastal commission, considerable attention was given to the possible state costs for inverse condemnation awards. The awards would cover damages occurring if severe limits were placed on the use of private property which a court determined was an unconstitutional taking without compensation. No such awards have occurred under Proposition 20 to date. (See Supporting Document E, Volume II).

The Attorney General has indicated his belief, based on experience under Proposition 20 and other recent cases that (1) any regulation under the plan which results in even a substantial diminution of property value will not result in inverse condemnation and liability to the state, and (2) as to actions concerning arbitrary regulations which exceed the constitutional powers of the state, the courts will simply invalidate the regulation as it applies to the affected property, rather than requiring the state to tender compensation.

There are two classes of cases which could result in some fiscal liability to the state. The first concerns cases which challenge inequitable public actions, including land use regulations, which are designed to result in a decrease in the value of property prior to its purchase by a public agency. The second concerns land use regulation designed to evade the requirement that land actually used by the public must be acquired by the public. There are California cases supporting a remedy in inverse condemnation under such circumstances.

The Attorney General states that he is not aware of any provisions in either the Coastal Plan or proposed coastal legislation which would allow a landowner to claim inverse condemnation. Insofar as any cases might support a landowner, they would first require inequitable action taken by the Coastal Commission or a successor agency under the legislation and Coastal Plan adopted by the Legislature. The Attorney General intends to work with any such agency to ensure that such a result does not occur.

Implementation Planning

The Office of Planning and Research (OPR) surveyed five counties and twelve cities to gather information on implementation planning by representative local governments and the prospective local costs of obtaining such information.

In general, OPR found that each jurisdiction surveyed had difficulty making cost estimates due to the lack of specific knowledge as to how certain Coastal Plan policies will be interpreted, i.e., who will have responsibility for various aspects of planning and regulation, how much assistance will be provided by state agencies and the Coastal Commission staff, what standards might be established for the adequacy of local implementation programs, and how the California Environmental Quality Act (CEQA) will apply.

There appeared to be a minimum cost to each jurisdiction in the range of $10,000 to $20,000. The general upper limit was about $100,000. Only when existing local plans were substantially inconsistent with the Coastal Plan, and/or where a jurisdiction has responsibility for several special functions, would the cost likely exceed $100,000. The average cost estimates of those jurisdictions surveyed was about $45,000. If this rough average cost is multiplied by the 75 jurisdictions directly affected by the Plan, the total cost would be approximately $3.4 million. Jurisdictions which have worked closely with the Coastal Commission during the last several years when revising local plans will not be faced with significant costs. This condition and the fact that much of the local planning is either required or currently being conducted by local government tends to hold down the local costs.

OPR and the units of local government did not have the benefit of material such as contained in the ICF report. If those conclusions had been available, their cost estimates would have been higher.

Following certification of the local implementation program, the plan would transfer the permit function to local government and implementation of the Coastal Plan would be carried out by local government.

OPR found that some jurisdictions currently exercise broad discretionary control over private development through use permit procedures, while other jurisdictions exercise limited discretionary control with many projects subject only to building permits. As a result of the certification process of the Coastal Plan, local governments may have to expand their discretionary control through the requirement of more conditional use permits as a means of more effectively controlling development. In such cases, the current planning workload would be increased. However, it is not clear that this kind of broadened discretionary control will be needed to effectively carry out the Coastal Plan.

The Coastal Plan sets forth criteria for review and approval of certain kinds of project proposals which may require a more involved analysis of project proposals by local staff. Some jurisdictions may not presently have the staff or staff expertise to carry out such analysis and would incur costs to hire additional staff or contract with a consultant to handle the additional considerations.

The Coastal Plan also requires what may be new procedures for a jurisdiction. Policy 46, as an example, specifically requires the establishment of "local design procedures". Design review procedures at the local level are not presently required by state law, and more than half of the jurisdictions surveyed indicated they do not have design review procedures or have procedures which would not meet the requirements of the Coastal Plan. (See also the report by ENVIRON/MENTAL, Supporting Document B, Volume II).

Several additional factors potentially require increased local government activity following certification. First, the Coastal Plan may necessitate a further revision of local plans, ordinances, zoning, codes and programs. Secondly, litigation which may be time-consuming and costly, might result from decisions made by local government in accordance with plans, ordinances or zoning adopted pursuant to the Coastal Plan. Third, if the basis for appeal of local decisions to the State Coastal Agency is not restricted, jurisdictions may become involved in preparing for time-consuming appeal hearings before the State Coastal Agency. Finally, the permit function entails inspection and enforcement to ensure compliance with the conditions of approval.

Cities and counties now charge fees for processing use permits, variances, rezoning applications, subdivision and parcel maps, and in some cases design review applications. These fees seldom cover the actual costs involved. In fact, it is typical that these fees cover less than 50 percent of the expense incurred by the jurisdiction in processing the applications. Many of the jurisdictions indicated they had been studying the problem and were proposing revised fee schedules to more completely reflect actual costs. Cities and counties now recover much, if not all, of the cost of conducting environmental reviews and processing environmental impact reports pursuant to CEQA for private projects by charging fees of the applicants.

Analysis by State Agencies of Individual Coastal Plan Policies

The Coastal Plan contains 162 policies which form the basis for the proposed management of coastal resources. A large number of these policies propose new, revised or expanded programs or work for the existing departments, boards and commissions of state government. Many of the departments, boards and commissions directly involved in these policies were asked to provide cost and benefit information on the effect of these policies. The agencies were specifically asked to estimate the increment of costs over their present activities which the individual policies propose.

The responses of the individual departments, boards and commissions have been integrated and published as Supporting Document F, Volume II to be used for reference or information purposes. The responses are essentially resources oriented.

It was hoped that sufficient similarity of responses could be secured to permit summarizing the material into cost categories or estimated totals. However, the wide scope of the policies and the differences in planning and analytical capabilities of the individual departments resulted in responses which did not permit direct summarization.

Where possible the responses show policies which are judged to be labor intensive, capital intensive, long or short-term, growth retarding, or energy intensive. This judgement was secured because these terms are indicators of economic impacts (and in some respects benefits) of the policies.

In general the material tends to show that costs of the plan are high and the benefits are large. This should be expected because of the scope of the policies and their stringency. It should be particularly noted that state mandated local costs (SB 90) can become an important consideration in some instances. This could occur, for example, where an existing regulatory agency such as the State Water Resources Control Board antedates, or is exempt, from the requirements for state payment of local mandated costs whereas a new coastal regulatory agency would likely not be exempt. In addition where a policy has the prospect of duplicating work among several state agencies, it is frequently not clear to the individual departments, boards or commissions how the work would be performed or divided among them.

Costs for State Coastal Agency

The Coastal Plan proposes that the Legislature establish a successor commission to the California Coastal Zone Conservation Commission as established by Proposition 20. The successor agency would manage the coastline as provided in the plan. The existing system of state and regional coastal commissions would continue until the local implementation plans and programs are prepared by local government and certified by the state commission. An estimate was made of state operating costs for the commission based on the assumption that the interim implementation period will extend from January 1, 1977 until January 1, 1981.

During this four-year interim period:

1. The existing permit and appeals system of the state and regional commissions will remain in effect except that approval or denial of a permit would be based on Coastal Plan policies;

2. In addition, permits from the State Coastal Agency will be required for the following developments; (a) any conversion within the coastal resource management area of prime agricultural land; (b) any conversion or subdivision of other agricultural land in parcels of 20 acres; (c) any major water, sewer, transportation or energy developments in the coastal zone that could adversely affect coastal resources; (d) environmental and land use aspects and determination of need for locations of major energy facilities in the coastal zone; and (e) major watershed projects near coastal streams within the coastal resource management area.

3. The coastal agency is to assist local governments in preparing their implementation programs by providing data, staff support, and technical assistance where requested.

The Coastal Plan recommends that the Legislature annually appropriate between $2 million and $3 million for support of the planning and regulatory activities of the State Coastal Agency and for matching federal grants. The amount recommended is no doubt low because: (1) the Governor's Budget for 1976-77 provides $3,257,355 in state funds to support the commissions; (2) during the four year interim period the state and regional agencies will have some additional workload for permits not required by Proposition 20; and (3) the Coastal Plan estimates local government costs to prepare implementation programs at $2 million to $2.5 million or about $700,000 to $800,000 per year over a three-year period but the Office of Planning and Research suggests that the cost of local implementation will be $3.4 million or about $1.1 million annually. Even this amount appears low in view of the comprehensiveness and complexity of the work proposed for the subregional plans.

The Attorney General has estimated that his first year cost for legal services to the State Coastal Agency would be comparable to the existing level of $582,000, with the workload declining over a five-year period.

Based on these cost factors, the estimated minimum annual state cost of the State Coastal Agency will be about $3,750,000 during the interim period, less the revenue from permit fees, which was $328,855 in 1974-75. The net amount of at least $3,420,000 would be financed by the General Fund.

The Coastal Plan also recommends that a Coastal Conservation Trust be established by the state to assist in land acquisition and restoration of degraded coastal lands. The trust would (1) acquire prime agricultural land proposed for conversion to other use, (2) acquire subdivided lots and other lands for resale or lease for uses consistent with the Coastal Plan, (3) acquire easements and development rights, (4) make grants to state and local agencies for fee or less than fee interest in land acquisitions and to maintain lands providing public access to the coast.

Funds from the bond issue proposed by the Coastal Plan would be made available to the trust for land acquisition and presumably for grants to local government. The trust's staff would require General Fund appropriations estimated initially to cost $250,000 annually for a small staff consisting of an executive director, three professional positions, clerical assistance and some contractual services. The cost for land management would probably increase markedly as the Conservation Trust acquires fee or lesser interests in land. These costs would be assumed by the state agency designated to manage the land, i.e., Department of General Services, Department of Parks and Recreation or the Coastal Conservation Trust.

Taxes and Revenues

A wide variety of taxes to support the costs of administering the Coastal Plan are suggested in the plan. Some of these taxes or revenue devices are only generally described. Others cannot be related to expenditure needs until the amount of expenditures can be more precisely determined. Still others are intended to serve social or resource conservation objectives rather than to raise revenues.

Three of the more definite tax recommendations were analyzed for illustrative purposes. (See Chapter VI, Volume I). It is apparent that these taxes are difficult to relate to the coastline of California both with respect to their collection and their impacts.

Subjects for Additional Study

A number of persons or groups suggested during the preparation of this report that subjects warranting specific additional study should be identified. Such subjects might include:

1. Determination of guidelines or standards to govern the conversion or denial of conversion of agricultural lands to non-agricultural purposes.

2. Specification of the density of development which will accommodate needed development while maximizing esthetic, coastal access, and various environmental goals.

3. Policies for roads and rapid transit which accommodate the conflicting objectives of limiting road construction along the coastline, provide service to residences along the coastline, and permit tourism and recreational uses.

4. Significance of the capacities and location of schools to growth and development patterns as well as consideration of state or federal financing of that portion of school construction costs which the local tax base cannot repay.

CHAPTER II

ASSESSING THE IMPACT OF COASTAL PLAN POLICIES ON RESIDENTIAL AND COMMERCIAL DEVELOPMENT

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The purpose of this report is to present an initial assessment of the impact of Coastal Plan policies on residential and commercial developments. Impact is defined here as the costs that are incurred by a residential or commercial developer in putting his product on the market and the benefits that accrue to the general public as a result of the availability of this kind of product.

We are not concerned here with industrial development, large-scale commercial development (major regional shopping centers), development within areas designated by the Coastal Plan as "special coastal communities or neighborhoods," or development beyond the "urban fringe" which requires conversion of significant amounts of raw land. This report concentrates on assessing the impact of Coastal Plan policies on potential residential and commercial developments within existing urbanized areas that are also within the area defined in the Coastal Plan as the Coastal Resources Management Area. In effect, Policy 59, which calls for the concentration of development within already developed areas; and Policy 32, which establishes urban boundaries, are assumed to provide the overriding constraints for this report.

The term "development area" refers to areas which fall within the limits and the intent of Policies 59 and 32. The term "subject development" is used to describe a commercial, residential, or combined development within the development area.

Methodology

An analysis was made of all the Coastal Plan policies to determine their applicability to subject developments within development areas; related reports and literature were examined to determine their applicability to the subject, and a limited number of individuals with related experience (such as developers, environmentalists, local government officials and land use planners) were interviewed.

A number of limiting constraints were encountered in the preparation of this report. First, there is a scarcity of empirical, experience based, data directly related to this subject. Second, given the current state of flux in land use planning in the State of California, it is difficult to establish a base line from which to measure the impact of Coastal Plan policies alone. Lastly, the study was conducted under resource and time constraints which made detailed, empirical study impossible.

Nevertheless, ICF believes that the results of this initial assessment are of value in assisting decisionmakers in framing and resolving specific issues related to the impact of the Coastal Plan implementation on residential and commercial development. Following are the conclusions and a brief one or two paragraph explanation supporting each conclusion.

General Implications of Policies

Conclusion 1: The impact of Coastal Plan policies that will directly affect subject developments is likely to be greater the larger the development. Small scale development (less than two or three acres and 50 units) will be affected but only in a minor way.

Twenty-eight policies (see Exhibit 1) were determined to have a direct impact on subject developments within the development area. The most significant policies called for such action as: providing adequate and unobtrusive on-site parking (Policies 105 and 106), incorporating recreational facilities within the development (Policy 141), and minimizing the rate and adverse quality of water runoff (Policy 14). Such requirements are extremely difficult to incorporate into smaller developments. Other policies that directly affect subject developments, however, such as the design requirements (Policies 45-55), could impact smaller developments.

Conclusion 2: A significant number of policies require actions on the part of local governmental agencies. The ultimate costs or benefits associated with the policies will be determined by the way they are interpreted and implemented. In combination, they could have a significant impact on the amount and scale of development.

Thirty-five policies (see Exhibit 2) were identified as having an "indirect" affect on subject development within the development area. Indirect policies affect the quantity, scope, and location of development. Compliance with these policies is primarily the responsibility of local government and is, by and large, out of the hands of a developer. However,

Exhibit 1

POLICIES THAT HAVE A DIRECT IMPACT ON RESIDENTIAL OR COMMERCIAL DEVELOPMENT

GENERALLY APPLICABLE POLICIES

MARINE ENVIRONMENT
14. Runoff and Coastal Waters Degradation

COASTAL LAND ENVIRONMENT
43. Coastal Developments and Air Quality

COASTAL APPEARANCE AND DESIGN
47. Design Review Process
49. Design Guidelines: Compatibility with Natural Environment
50. Design Guideline: Coastal View Protection
51. Design Guideline: Scale, Height, Materials and Colors
52. Design Guideline: Landscaping
53. Design Guideline: Natural Landform Alteration
54. Design Guideline: Signs
55. Design Guideline: Utility Structures

ENERGY AND THE COAST
72. Energy Conservation in New Developments
75. Solar Heating and Cooling Systems

TRANSPORTATION
105. Parking Facilities
106. New Development Parking

RECREATION
141. New Development On-Site Recreation

COASTAL RESOURCES RESTORATION
154. Lot Resubdivision or Consolidation

SITE OR PROJECT-SPECIFIC POLICIES

COASTAL LAND ENVIRONMENT
28. Development Controls Near Significant and Fragile Habitat Areas
29. Development to Minimize Habitat Damage
34. Criteria for Maintaining Non-Prime Agricultural Lands in Production
35. Only Agriculturally Related Development Permitted on Agricultural Lands
36. Division of Land Limited in Agricultural Areas
37. Development and Land Division Regulation Near Agricultural Areas

COASTAL DEVELOPMENT
70. Bluff and Cliff Geologic Safety Regulations

PUBLIC ACCESS TO THE COAST
122. Guarantee for Public Access
123. Public Accessways to the Coastline
126. Coastal Access for Low-and Moderate-Income Persons

COASTAL RESOURCES RESTORATION
152. Restore Degraded Coastal Resources
153. Environmental Damage to be Offset by Restoration

Exhibit 2

POLICIES THAT HAVE AN INDIRECT IMPACT ON RESIDENTIAL OR COMMERCIAL DEVELOPMENT

MARINE ENVIRONMENT
7. Maintain, Manage and Restore Ocean Water Quality

COASTAL LAND ENVIRONMENT
21. Establish Comprehensive Watershed Management
22. Comprehensive Watershed Management Plan Preparation and Implementation
23. Coastal Watershed Management Plans Related to Development and Water Supply Decisions
32. Urban-Rural Boundaries
33. Use Designation of Agricultural Parcels Within Highly Developed Areas
34. Criteria for Maintaining Non-Prime Agricultural Lands in Production
35. Only Agriculturally Related Development Permitted on Agricultural Lands
36. Division of Land Limited in Agricultural Areas
37. Development and Land Division Regulation Near Agricultural Areas
40. Coastal Soil Resources Protection

COASTAL APPEARANCE AND DESIGN
45. Protect Quality of Highly Scenic Areas
46. Local Design Procedures and Standards

COASTAL DEVELOPMENT
59. Development Concentrated in Developed Areas
61. Public Service and Transportation Facilities Regulations
62. Coastal-Dependent Development to Have Priority
65. Statewide Geologic Safety
66. Filing of Geologic Hazards Information
67. Geologic Safety Review and Regulation for New Developments

TRANSPORTATION
101. Land Use Decisions and Transportation Capacity
102. Coastal Road Expansion Criteria
103. Transportation Routes
104. Coastal Road Recreational and Scenic Values
108. Priority of Transit Over New Roads

PUBLIC ACCESS TO THE COAST
121. Coastal Access
122. Guarantee for Public Access
123. Public Accessways to the Coastline
125. Lower-Cost Tourist Facilities
128. Public Access and Institutional Development

RECREATION
131. Coastal Recreation and Resource Protection
132. Oceanfront Land Recreational Potential and Other Uses
133. Commercial Recreation Has Priority Over Private Development
134. Shoreline Areas Reserved for Water-Dependent Recreation
140. Development, Open Space, and Recreation

COASTAL RESOURCES RESTORATION
154. Lot Resubdivision or Consolidation

the sum total of these policies can seriously affect development. Indirect policies call for such governmental actions as the creation of a comprehensive watershed management plan (Policy 22), the development of a program to ensure the geologic safety of new development (Policy 65), and the requirements to establish transportation plans that give transit priority over new roads (Policy 108). The degree of local governmental involvement in the development process is significant and cannot be ignored.

Conclusion 3: The implementation of Coastal Plan policies may cover a spectrum from minimal impact to maximum impact. Minimal means that a development area will change little. Maximum means that a development area will be greatly changed as a result of the policies. New governmental mechanisms must be established to carry out the plan to meet those policies.

In some areas, where development now is at a level which meets the intent of coastal plans and which is of generally good quality (i.e., the San Francisco Sunset District), the implementation of the Coastal Plan policies will have a minimal effect. On the other hand, in areas where current development levels do not meet Coastal Plan policies, where much of the area was developed at lower quality and where there is little hope for private rehabilitation, then a substantial commitment by local government will likely be required to achieve the intent of Coastal Plan policies. (Examples of such areas are Santa Monica, Redondo Beach, and Long Beach).

Types of Development Under Coastal Plan Policies

Conclusion 4: Three types of development are likely to occur under the implementation of Coastal Plan policies. These are: "small scale--traditional," "large scale--negotiated," and "large scale-- re-development." The latter two differ substantially from historical development methods employed in California.

"Small scale--traditional" development will fill in existing subdivided sites with development that is comparable to existing development. It involves development that can be visualized as few units of single family residences or a small 15 - 20 unit apartment building. Such development will occur in areas where development is already of acceptable quality and the plan will have minimal impact.

"Large scale--negotiated" involves the development of the large remaining undeveloped parcels of land that are determined to be within the "urban boundary." This type of development will require that the developers' incentives will be pitted against the community's desire to meet Coastal Plan policies in a negotiation process. If successful, this process will result in a development that meets the developers' minimal financial requirements and the Coastal Plan policies.

"Large scale--redevelopment" will occur in areas that are identified for concentration of development under the Coastal Plan but where current levels of development are incompatible with Coastal Plan policies and the quality of development is below rehabilitation potential. In this type of development, government actively invests and participates in the development process in order to achieve the objectives of the plan.

This process recognizes that traditional development methods will not achieve development compatible with the Coastal Plan policies in such areas.

Conclusion 5: In the short run "small scale--traditional" and "large scale--negotiated" development will predominate. But in the long run, Coastal Plan policies will be achieved only through "large scale--redevelopment."

Given the intent of Coastal Plan policies and reasonable assumptions about where the urban boundaries will be established, we conclude that the land available for new development, both "small scale--traditional" and "large scale--negotiated" development, will be utilized in a relatively short period (say 10 years). As that point nears, there will be increasing pressure for both greater access to the coast and a desire to bring existing developed areas into compliance with the Coastal Plan. At that time, "large scale redevelopment" is the only kind of development which will meet the Coastal Plan policies. Any consideration of the long run impact of the Coastal Plan must take "large scale--redevelopment" into consideration.

Conclusion 6: "Small scale--traditional" type of development, almost by definition, continues the existing land use patterns. "Large scale--negotiated" and "large scale--redevelopment," on the other hand, if they are to be successfully carried out under the requirements of the Coastal Plan, must incorporate a variety of housing types and higher net densities in Planned Unit Developments. The densities per residential acre that are necessary to achieve the intent of the policies are between

15 and 20 units per acre as opposed to 4 to 7 units per acre that are typically associated with single family detached housing.

Cost Impact of Coastal Plan Policies

Seven categories of costs were analyzed and related to each type of development. See Exhibit 3 for the results of this analysis.

Conclusion 7: From the standpoint of a private developer, the least costly type of development is the "small scale-traditional."

Under this form of development, the developer incurs few costs over what he presently incurs. Government performs primarily a regulatory function which is similar to that now performed under common land use regulation.

Conclusion 8: From the standpoint of the private developer, the most costly type of development is "large scale--negotiated."

Under this type of development, the developer must make substantial investments in land, development plans, legal fees, engineering studies, etc., all of which could be jeopardized by the outcome of the negotiation process. The negotiation process is likely to be characterized by uncertainty and the involvement of many individuals and agencies in the development decision.

Conclusion 9: From an overall standpoint, "large scale--redevelopment" is the most costly type of development.

Under this type of development, the government undertakes the costly responsibilities of land acquisition, relocation, and site preparation for development. In such a development process, government would have to

COST IMPACT BY TYPE OF DEVELOPMENT

	Type of Development		
	Small Scale--Traditional	Large Scale--Negotiated	Large Scale--Redevelopment
To Private Developer:			
Regulation	Minimal--some new information will have to be provided, but not a great deal.	Moderate--specific engineering studies will be required. Consultant and legal fees will be measurable.	Moderate--developers of redevelopment projects will have to meet a variety of new requirements, such as more complicated legal arrangements with the governmental agency.
Delay	Minimal--most requirements could be incorporated into existing procedures.	Substantial--caused by the potential length of the negotiating process. A major cost factor.	None--by the time a developer obtains the site from government, most potential delays should have been overcome.
Uncertainty	None--once a subregional plan is certified, a developer can be quite certain about what he can and cannot do.	Substantial--some developers will abandon projects because of the uncertainty of the negotiation process. Uncertainty is caused by the large number of individuals and groups who affect the decision-making process.	Moderate--any project carried out in cooperation with a governmental agency produces a certain amount of uncertainty caused by such events as a change in the political environment. Some developers, for this and other reasons, will not participate in redevelopment.
Mitigation	Moderate--meeting design, parking, site coverage, and similar requirements will increase costs.	Substantial--costs could be high depending upon the site location and the outcome of the negotiation process. Costs could include major changes in design to protect viewshed, on site storm water processing facilities, and the like. See Appendix A.	Minimal--most requirements will be part of the disposition of land agreement with the governmental agency and be reflected as part of the land sale price.

Exhibit 3

COST IMPACT BY TYPE OF DEVELOPMENT

	Type of Development		
	Small Scale--Traditional	Large Scale--Negotiated	Large Scale--Redevelopment
Scarcity	Substantial--prices of sites appropriate for this type of development will increase as availability decreases.	Substantial--same as under small scale--traditional.	None--land prices will be largely set by governmental agency in order to ensure the appropriate level of development.
To Government:			
Investment	None--requires no additional investment by government.	Minimal--government may participate with the developer in constructing infrastructure or public facilities on or related to the development site.	Substantial--government incurs the costs of acquisition, relocation, site preparation, housing subsidization, and others to bring site to developable level (see Appendix B).
Compensation	None--current sites will not be greatly affected by new land use regulations.	Moderate--depending upon the outcome of the negotiation process, government would be required, or would agree, to compensate for accessways, open space, lower densities, etc.	None--land use decisions are made in the redevelopment process and compensation occurs at time of site assembly.

Exhibit 3 (Continue...)

provide a subsidy of between 60 and 80 percent of the costs of preparing the redevelopment site. If such development were to double existing densities, providing housing at a reasonable average price, and incorporate 20 percent housing for lower and moderate incomes, then the governmental subsidy would amount to between 30 and 40 percent of the ultimate value of the new housing units produced. The means of financing this subsidy were not considered in this report.

<u>Conclusion 10</u>: An intangible cost may be incurred in that the policies appear to favor very small and very large developers at the expense of middle sized developers.

Large scale developers will be able to carry out the "large scale--redevelopment" and "large scale--negotiated" type projects. However, medium sized developers, those who typically have one large scale development going at a time, may find it difficult to survive under the Coastal Plan policies as we have assumed they would be implemented. The reason for this is that the large scale projects require a developer who can spread the costs of uncertainty and delay over more than the one project he is carrying out within the coastal zone.

<u>Conclusion 11</u>: Another intangible cost may be related to the current level of developer skills. Most developers are not prepared for the new requirements of carrying out "large scale--negotiated" and "large scale--redevelopment" type projects. New skills will be needed.

Most developers in California have acquired their skills in developing large scale, suburban, subdivision type developments. Few, if any, such developments will occur under Coastal Plan policies. Successful

The combined effect of coastal policies will likely create an unsatisfied demand for residences and commercial space in the coastal zone. This potential demand is probably most important as the "carrot" for developers to comply with the Coastal Plan policies because it ensures demand for what is developed. It also ensures that there will be a low level of risk for government participation in the development process. This benefit is two-sided and may be viewed by some as contributing to the inflationary spiral in the cost of housing, or to the public cost and difficulty of providing lower and moderate income housing. The latter will have to be overcome by appropriate programs.

Conclusion 14: Coastal Plan policies provide the public with substantial voice in the determination of the physical character of their communities.

A benefit of the Coastal Plan policies is that they put a significant number of development decisions in the hands of the public, through their governmental representatives. This level of participation in the development process extends beyond what has generally been experienced in the recent past. Under the Coastal Plan policies, public participation extends beyond merely regulating development to actually placing governmental agencies in the role of participant in the development process.

Summary

In summary, the impact of the Coastal Plan on development is to create a new kind of development process in which the public, through its governmental institutions, is significantly involved in development developers in the coastal zone must acquire the skills to carry out "large scale--negotiated" and "large scale--redevelopment" projects. Acquiring these skills may be costly.

Benefits of Coastal Plan Policies

Analysis of the major benefits of the Coastal Plan are beyond the scope of this study. Benefits are viewed more narrowly within the scope of this study as the benefits resulting from the kind of commercial and residential development encouraged by Coastal Plan policies.

Conclusion 12: Implementation of the Coastal Plan policies will create more efficient use of: existing public utility systems; existing public infrastructure (streets, storm drain systems, school buildings, etc.); and would take advantage of established and experienced governmental institutions.

The implementation of the Coastal Plan policies would ensure a balanced use of public utilities and public infrastructure. Policies require development within areas which typically are already served by local governmental agencies. The policies also encourage higher density development in areas where development is called for. The combination of these may result in substantial savings through greater efficiency to the community in providing public services. Lastly, higher density housing results in substantially lower costs for each housing unit.

Conclusion 13: Coastal Plan policies will ensure a high level of demand for existing and new development. This is a benefit in that marginal properties in the coastal zone will be redeveloped or rehabilitated and there will be substantial demand for privately (or governmentally) sponsored new development.

decisions. This occurs either through the negotiation process with developers who have land that they want to develop, or through actual investment and participation as a developer in the redevelopment process. Such a role for the public can create significant costs for the developer, be it a private developer or government as developer. However, the potential benefits to the public are also significant. The question of whether benefits exceed costs cannot be determined in quantifiable terms. To a great extent, this determination depends on whether or not one believes that our governmental institutions at the state, local, and regional levels can properly implement the plan policies as they were intended and assume the responsibilities they imply.

CHAPTER III

APPEARANCE, DESIGN AND WASTE MANAGEMENT POLICIES FOR OPEN COASTAL AREAS

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This report explores the economic effects of applying the Coastal Plan's appearance and design policies to developments in essentially open, undeveloped, non-urban coastal areas. Most of these areas are along the central and northern coastline. The study considers the economic effects of the policies on design review for public agencies and private parties, highway development, public recreational facilities development, coastal zone housing, beach access and parking and utility undergrounding. Indicators of these effects are developed through a series of exemplary case studies.

The basic study methodology was to identify which policies were binding for various development types and in which situations; to identify design, planning and action responses available to meet the policy goals; and to assess the economic effects and benefits of such responses. Costs were not assessed for the litter reduction and sign control policies or for the effects of any policies on public special districts.

The cumulative costs of adopting these policies were not evaluated. Several carefully chosen special case studies were used to illustrate the major categories of economic impact. The major concern was the magnitude of effect on costs.

The study's primary geographic area of concern is the "Coastal Resource Management Area," especially the "nearcoast area" and primarily the land areas seaward of either the Coast Highway or the road nearest the coast. Finally, the study focuses more on the costs of protecting the visual experience than on the detailed design of individual units, since it was felt that overall building clusters and height were more important visual features than exterior design, except perhaps for some very special situations.

Visual Policies

The study's basic conclusion is that the Coastal Plan's visual policies may increase costs of public facilities and private developments, in certain limited situations up to 5 - 10 percent over a baseline of no Coastal Plan and no really creative design responses to coastal situations. Even in cases of apparently higher costs, caused by responses to the visual policies many of these costs will be short-term and will begin to decrease if the Plan becomes an accepted and integral fact of life in coastal development design decisions.

The basic reason that the Coastal Plan's visual policies have few discernable significant economic effects is that <u>other factors constrain</u> public and private coastal development before the visual policies begin to play a role. These other factors include (1) development driving forces such as the market demand for private facilities (economic and financial feasibility) and capital outlay plans for public facilities; (2) existing "commitments to development" exemplified in current county general plans, including the general restrictions of land use and zoning elements, conservation elements and seismic safety elements and design restrictions of scenic highway elements; (3) existing public service infrastructure capacity (water, waste disposal, power, roads); (4) expressions of adverse community attitudes during the project review/planning process resulting in political decisions for development permit denial; (5) the environmental impact reporting process resulting from the California Environmental Quality Act and subsequently promulgated guidelines often leading to measures to mitigate adverse visual effects of development designs; (6) currently accepted design practices especially for public facilities; and (7) other Coastal Plan policies which are expected to take precedence over visual policies, in the areas of development, recreation, transportation and access.

Visual Design Responses

An analysis of the visual policies was made to evaluate design responses available under the policies. The design responses evaluated the appropriateness of each policy with respect to the interaction of varying landforms and development types and with respect to the effects of each policy on observers. It was concluded that design guidelines should be based on viewer perspectives, supported by a detailed coastal visual inventory, rather than based strictly on landform categories used in the plan, which tend to break down as one moves away from the beach areas.

A variety of design responses to visual policies is available. Such responses include relocating and partially undergrounding buildings, clustering development units, reducing overall development densities, creative use of landscaping techniques, aesthetic treatment of structure exteriors, relocation of roads, screening parking lots from view, and undergrounding utility connections. Methods of evaluating the economic effects stemming from such design responses are discussed briefly. Then, a series of case studies is presented to elucidate some of these economic effects, as discussed below.

Case Studies

(1) Prospective design review costs were investigated for Del Norte, Humboldt and Mendocino Counties with local government estimates of incremental costs for such review set at $5,100, $33,060 and $2,820 per year respectively. In addition, design review will generate costs to private parties. Development of a handbook of appropriate design responses would probably serve to make the design review process more efficient.

(2) Recreational travel in Marin County was examined to assess conflicting and complementing relationships between visual policies and access/recreation policies. No costs for recreational facilities development were found attributable to application of the visual policies.

(3) The relationship of the visual policies to beach transportation, access and parking problems was evaluated for San Gregorio State Beach (San Mateo County) and the Hoover Ranch State Beach (currently being acquired by the state Department of Parks and Recreation as an addition to Big Basin Redwoods State Park in Santa Cruz County). At San Gregorio

State Beach, current and proposed parking arrangements were examined. The basic conclusion reached was that proposed parking development conformed, for the most part, to the visual policies even though design work was completed in late 1972, long before these policies were developed. The extra cost to achieve compliance with the visual policies was estimated to be about two percent of the total construction monies proposed for ultimate development of the beach. In addition, it was noted that the size of proposed parking facilities seemed inadequate to handle the design capacity for recreational use, especially at "ultimate development."

Hoover Ranch, along Waddell Creek, is currently being acquired for the State Park System. Preliminary development design was attempted to see whether conflicts existed between visual policies and beach development especially for parking areas. In this case, lower Waddell Creek Valley has important seasonal and permanent wetlands plus very sensitive and valuable ecological areas which greatly hinder parking site development. Parking costs were estimated for a variety of locations. The cheapest parking development (for 375 cars) is on the ocean side of Highway 1, in a very visible area. Other inexpensive parking sites appear to be located too close to the wetlands to be desirable. The only ecologically and visually acceptable parking area is hidden on coastal bluffs (not scheduled for acquisition), has a small capacity, is not too accessible from the beach and is three to five times as expensive to develop (per parking space) as other lowland parking areas.

In the Hoover Ranch beach area then, a strict application of visual policies to parking development probably would create significantly adverse economic and physical impacts, and would also have to include ecological considerations.

(4) Development costs of individual houses related to application of the visual policies along the Sonoma County coast were investigated. The development factors most seriously affected were structure design, land acquisition (need for larger parcels) and public administrative activities. Extremely strict application of design guidelines, similar to those privately imposed by the Sea Ranch Association on Sea Ranch residential development which have considerable effect on structural design, could raise individual residential unit costs by up to 10 percent per unit. This is probably the maximum level of impact attributable to strict application of the visual policies to residential development.

The study recommends detailed mapping of significant views, void and solid, in order to develop a more rational design review process rather than attempting to control bulk, height and placement of structures in a piecemeal fashion. If the areas of natural scenery are plotted and controlled, the regulation of the placement of structures will not be necessary on a parcel-by-parcel basis.

(5) Undergrounding of utility distribution facilities was examined for cost implications. For the most part, existing rules and regulations of the State Public Utilities Commission and the Pacific Gas and Electric Company (in Northern California) currently control most undergrounding

costs. For new facilities, application of the Coastal Plan's utility undergrounding policy would affect only isolated individual structures located more than 1,000 feet from a designated scenic highway. The costs would be directly dependent on the length of underground lines. For existing facilities, costs of undergrounding are very high and would fall most heavily on local residents. For this reason, conversion of existing overhead utility connections to underground lines is likely to be very gradual.

Water Quality in Open Coastal Areas

This report also analyzes the California Coastal Plan's water quality and watershed management policies in essentially open, undeveloped areas. For these areas, the primary concerns are water use and wastewater management for recreation areas of varying size and for individual homes and small housing developments (up to 40 units). The report assesses the technical and economic feasibility of improved waste conservation and wastewater management practices in the coastal zone through analysis of the relevant Coastal Plan policies, development of design responses to these policies and evaluation of economic effects of alternative low discharge, low energy use waste disposal methods.

Since the Coastal Plan policies under discussion do not provide direct guidance or guidelines, the procedure adopted for this study was to develop some promising alternatives for policy implementation and to study some of the effects of adopting these alternatives.

For reducing costs of public and private facilities and for improving water quality, the basic design responses available are water conservation (reducing sewage quantities); source separation of sewage (into "black" water that is directly contamined by fecal matter, and "grey" water from laundering, dishwashing and handwashing, etc.); changes in waste handling methods (use of dry storage or composting-type toilets for individual homes or remote low-intensity recreational areas); water reclamation and recycling through above-ground land disposal of partially treated sewage (especially for recreational areas); and use of on-site wastewater disposal systems (septic tanks and leachfields) for individual homes, subdivisions and moderately used/road accessible recreational developments.

Water Conservation

For water conservation, the most acceptable, usable and economic systems roughly in order of priority are: faucet aerators, pressure-reducing valves, flow-limiting shower heads and valves, toilet-tank volume reducers, reduced flush devices, low-flush systems and dual-cycle toilets, flow-limiting valves for sinks, vacuum toilet flush systems for multiple homes, restrictions on garbage disposal use, and washwater-recycle toilet flushing systems. It is suggested in water-short areas of the open coastal zone that these devices and systems could be made mandatory especially for public recreational facilities. In addition, various public relations aspects of exemplary public agency water conservation programs should be used to develop water conservation practices in public recreational facilities.

One alternative to full-scale sewage treatment is to filter and recycle wastewater ("grey" water) from sinks, showers, kitchens and laundromats at heavily used recreational facilities. This grey water could be recycled easily for landscape watering, fire protection, storage and air-conditioning. Separation of grey water from toilet water should always be considered in planning for public recreational development.

Use of dry toilets (especially well-vented pit privies) should be allowed for remote areas of recreational developments, especially where service for septic tanks, chemical toilets or sewer pipe installation would require cutting new roads or enlarging existing trails. This procedure would both save public money and prevent intrusion of roads into remote areas of the coastal zone. Coastal zone waste management should also be flexible enough to allow dry toilets, especially composting toilets for use in low-density residential developments. Properly constructed, the composting privy is a water-tight, leak-proof method of treating and recycling human waste.

In recreational facilities, especially at public parks and beaches, every effort should be made to minimize water use in landscaping by use of native or naturalized (low water using) plant materials and recycling of treated wastewater for irrigation (either through subsoil drainfields, small treatment lagoons or active spray, flood or drip irrigation systems). Above-ground land disposal recycling of sewage effluent was shown to create a significant cost savings over other standard treatment and disposal systems proposed for Angel Island State Park. Adoption of a land disposal system would probably have saved considerable public funds compared to the expensive system of secondary treatment with ocean discharge used to serve Russian Gulch State Park.

On-Site Waste Dispoal

Use of an on-site wastewater disposal system (septic tanks and leach fields) is a proven low-cost, low-energy, moderate maintenance sewage management technique which is widely applicable for coastal zone use in single homes, subdivisions up to 1,000 units and recreational facilities of moderate area and land use intensity. Failures of septic-tank/leach field systems are due more to unreliable construction and poor maintenance than to poor soils. In fact, serviceable soil absorption systems can be constructed in many areas where existing soil maps show "poor" suitability for such systems. Public responsibility for waste-water disposal practices through septic tank management districts can make on-site disposal systems workable in most undeveloped (and also developed) coastal areas.

Implementation of Coastal Plan water quality policies should seek to minimize extensive, expensive, high-energy use sewage treatment plants (with ocean or stream disposal) and maximize use of lower-cost, on-site above-ground and subsurface treatment and disposal systems. In addition, federal requirements for "zero discharge" of wastewater within ten years make further investment in sewer systems financially unwise for public recreational facilities in the open coastal zone areas since on-site disposal systems may soon be required in any case.

CHAPTER IV

THE COSTS OF LOCAL IMPLEMENTATION OF THE COASTAL PLAN

Prepared by
Office of Planning and Research

This report analyzes the implementation program required of city and county governments by the California Coastal Plan and identifies the local costs associated with additional local planning and regulatory activities necessitated by the Coastal Plan.

To this end three specific efforts were undertaken by the Office of Planning and Research (OPR). First, all 162 of the Coastal Plan Policies were examined as to their implications for various aspects of local government planning and regulatory activity. Secondly, the precise tasks required of local governments in preparing or revising plans, ordinances, zoning, codes and programs for certification by the Coastal Commission were identified by an analysis of the 16 local implementation program components outlined in Part III of the Coastal Plan.* Finally, a survey of 17 jurisdictions directly affected by the Coastal Plan was conducted to ascertain cost estimates for local implementation of the Coastal Plan. Five counties and 12 cities were included in the

*The 16 implementation program components include: A. Community Development, B. Shoreline Recreation, C. Recreational Support, D. Streams, Estuaries and Wetlands, E. Agricultural Resources, F. Forestry Resources, H. Man-Made Resources, I. Wildlife and Plant Communities, J. Hazards, K. Low- and Moderate-Income Housing, L. Water and/or Wastewater Service System, M. Energy Facilities and Conservation, N. Transportation System, O. Minerals and Soils, and P. National Interest Facilities.

survey: The counties of Mendocino, Santa Cruz, San Luis Obispo, Orange, and San Diego: the cities of Eureka, Fort Bragg, Watsonville, Pacific Grove, Morro Bay, Santa Barbara, Ventura, Manhattan Beach, Redondo Beach, Newport Beach, San Diego and National City.

Local Implementation of the Coastal Plan

The local implementation program required by the Coastal Plan consists of two aspects or phases. The first phase commences immediately following the effective date of the legislation adopting the Coastal Plan and terminates with certification of the local implementation program by regional and state coastal commissions. During this phase, local government would modify its plans, ordinances, zoning, codes and programs to be consistent with Coastal Plan policies. In the second phase, commencing with certification, local government would carry out their own program through normal local governmental procedures.

Implementation - First Phase

During the first phase of implementation, taking up to three years, local governments along the coast would be required to bring their general plan and other long-range development plans for that portion of their jurisdiction lying within the Coastal Resource Management Area into conformity with the Coastal Plan. Local governments would also prepare ordinances and zoning changes necessary to implement the Plan, including capital improvement programs, specific programs for acquisition of open space and recreational facilities, appearance and design guidelines, and restoration programs for natural or manmade resources. Once revised, the local program would be presented to the Coastal Commission for certification.

Tasks Required by the Coastal Plan

Taken at face value the local implementation program as outlined in Part III of the Coastal Plan appears to require an enormous planning effort by local government. However, much of what is mandated by the Plan is already required by existing state and federal law. In addition, information necessary to carrying out the first phase of implementation is available or will be provided by state agencies as part of state implementation of the Coastal Plan. The following is a summary of factors which circumscribe the work program to be carried out by local government as part of the first phase of implementation:

1. Existing federal, state or regional authority. The local implementation program prescribes local programs for the control of a number of activities over which federal, state and regional agencies already have regulatory authority. Where this is the case, local government would only be responsible for developing programs to supplement the existing federal, state and regional programs. For example, much of what is required by the Forestry Resources Component is already being achieved through Division of Forestry regulation of timber harvesting under the Forest Practice Act.

In addition to existing authority, the Coastal Plan calls for legislation to expand the activities and/or regulatory authority of several state agencies, which would serve to further limit the amount of local responsibility for certain aspects of implementation.

2. Local planning required by other authority. Many federal and state requirements already exist which mandate that local government carry out planning and regulation in areas addressed by the local implementation

program. For example, the state planning and zoning law already requires that local general plans include many considerations mentioned in the Coastal Plan as part of the local implementation program.

3. Plans, information and assistance to be provided by state agencies as part of Coastal Plan implementation. Local government implementation of some requirements of the Coastal Plan is dependent on plans, information or assistance to be provided by state agencies should the Coastal Plan policies regarding these agencies be implemented and adequate funds be made available. These plans, information and assistance can be grouped into three categories:

a. Areawide plans in the form of comprehensive watershed management plans, covering the entire coastal area, and subregional plans, "where cumulative impacts of development has the potential for adversely affecting resources or coastal access", are called for in the Coastal Plan. Specific responsibility for the preparation of these plans is not assigned in the Coastal Plan, but in many cases lead responsibility for preparing the plans would reside with a state agency.

b. Model ordinances, standards and criteria are required to be prepared by state agencies for local government. These include a model ordinance for control of runoff, erosion and silt; criteria for determining archaeological significance, and design standards and safety criteria for coastal trails.

c. Other kinds of information to be provided by state agencies include: the assignment of uses for remaining road capacities; designation of state coastal trail routes; wetlands restoration priority list; survey of archaeological and paleontological sites; and identification of important or significant coastal "natural living communities".

4. Existing information and technical assistance. A great deal of the information needed for the implementation program is already available in the form of maps and reports, prepared through the earlier efforts of local government, or by state and federal agencies and universities as part of ongoing programs, or by private organizations such as the California Native Plant Society and the California Roadside Council.

Factors Determining the Scope of Local Planning

There are a number of factors unique to each jurisdiction which will determine the exact scope of the work program each jurisdiction will need to undertake.

1. Local Conditions. The number of issues or concerns addressed by the Coastal Plan which are relevant to the jurisdiction. For example, agricultural resources, flood and seismic hazards, and wetlands are unevenly distributed along the coast and are therefore significant concerns to some jurisdictions while not to others. The degree of local development is also important.

2. Relationship of jurisdiction to the Coastal Resource Management Area. The Coastal Resource Management Area (CRMA) is the area within

which local plans and programs would be brought into conformity with the Coastal Plan. The width of the Coastal Resource Management Area varies along the coast from less than a mile to as much as ten miles. Some coastal cities lie entirely within the CRMA, while many other cities and all coastal counties lie only partly within the CRMA.

3. <u>Consistency of existing local plans and programs with the Coastal Plan</u>. The greater the consistency of existing plans and programs, the less effort will be required of the jurisdiction. Some jurisdictions have worked closely with the regional coastal commissions to assure that recent revisions to their plans reflect the concerns of the Coastal Commission. The kinds of programs already instituted by local government will also affect the amount of work to be done. For example, many jurisdictions already have a design review process which satisfies the Coastal Plan requirements.

4. <u>Number and type of special local government functions.</u> Many of the Coastal Plan policies relate specifically to special local government functions, including the provision of water, sewerage, transit, power, and the management of airport and harbor facilities. To the extent that any city or county has responsibility for any of these special functions, there will be special planning efforts to be undertaken by the jurisdiction to meet the requirements of the Coastal Plan.

The Costs of Preparing for Certification - First Phase

To determine the local costs of the first phase of implementation, OPR surveyed five counties and twelve cities. Each jurisdiction, after a discussion of the requirements of the local implementation program, was asked to estimate the total cost to the jurisdiction of revising plans, ordinances, zoning, codes and programs for certification.

In general, jurisdictions had difficulty making cost estimates due to the lack of specific knowledge about how certain Coastal Plan policies will be interpreted; who will have responsibility for various aspects of planning and regulation; how much assistance will be provided by state agencies and the Coastal Commission staff; what standards might be established for the adequacy of local implementation programs; and how the California Environmental Quality Act (CEQA) will apply to the various decisions to be made by the jurisdiction in connection with the local implementation program.

Because of the wide divergence in the estimates, generalizations about costs are difficult to make. However, several observations based on the survey can be made:

- There appears to be a minimum cost to each jurisdiction for the first phase of implementation in the range of \$10,000 to \$20,000. Included in this \$10,000 to \$20,000 amount, would be the expenses in staff time or consultant fees of reviewing all local plans, ordinances, codes and programs for consistency with the Coastal Plan, making whatever changes, however minor, to achieve consistency, and preparing the implementation program package for review and certification by the regional and state coastal commissions.
- A general upper limit cost to any jurisdiction to carry out the first phase of implementation appears to be about \$100,000.

Only in the event that a jurisdiction's existing plans were substantially inconsistent with the Coastal Plan, and/or where a jurisdiction has responsibility for several special functions, would the cost likely exceed $100,000.

- Jurisdictions which have worked closely with the Coastal Commission during the last several years when revising local plans will not be faced with significant first phase costs.
- The average first phase cost estimates of those jurisdictions surveyed is about $45,000. If this rough average cost is multiplied by the 75 jurisdictions directly affected by the Plan, the total cost would be approximately $3.4 million. However, the Coastal Commission estimated that total cost for the three-year first phase of implementation will be $2 million to $2.5 million.
- The costs of the first phase of implementation cannot be accurately estimated by jurisdictions until more detailed implementation guidelines are developed and local general plans, ordinances, zoning, codes and programs are examined for consistency with the Coastal Plan.

Implementation - Second Phase

Following certification of the local implementation program, the permit function now performed by the regional commission would be transferred to local government and implementation of the Coastal Plan carried out through local governmental procedures.

Tasks Required by the Coastal Plan

Some jurisdictions currently exercise broad discretionary control over private development through use permit procedures, while other jurisdictions exercise limited discretionary control. In the latter case many projects are subject only to building permits. As a result of the certification process, local governments may have to expand their discretionary control through the requirement of more conditional use permits as a means of more effectively controlling development, in which case the current planning (project proposal review) workload would be increased. However, it is not clear that this kind of broadened discretionary control will be needed to effectively carry out the Coastal Plan.

The Coastal Plan sets forth criteria for review and approval of certain kinds of project proposals which may require a more involved analysis of project proposals by local staff. Some jurisdictions may not presently have the staff or staff expertise to carry out such analysis and would need to hire additional staff or contract with a consultant to handle the additional considerations.

The Coastal Plan also requires what may be new procedures for a jurisdiction. Policy 46, as an example, specifically requires the establishment of "local design procedures". Design review procedures at the local level are not presently required by state law, and more than half of the jurisdictions surveyed indicated they do not have design review procedures or have procedures which would not meet the requirements of the Coastal Plan.

Beside project proposal review, the permit function entails inspection and enforcement to ensure compliance with the conditions of approval.

The permit function, however, is not the only activity which may affect the local government workload as part of the second phase of implementation. Several additional factors have been identified as potentially requiring increased local government activity following certification. First, the Coastal Plan may necessitate a further revision of local plans, ordinances, zoning, codes and programs. Secondly, litigation which may be time-consuming and costly, might result from decisions made by local government in accordance with plans, ordinances or zoning adopted pursuant to the Coastal Plan. And finally, if the basis of appeal of local decisions to the State Coastal Agency is not restricted, jurisdictions may become involved in preparing for time-consuming appeals hearings before the State Coastal Agency.

The Costs of Carrying Out the Plan Following Certification

All of the factors mentioned above could mean increased responsibility and increased costs to local government following certification. However, since the last three factors mentioned are highly speculative in nature, comments in this section relate only to the permit function.

The jurisdictions surveyed were almost evenly divided between those who felt there would be a minor increase in current planning cost and those who felt there would be a significant increase.

It should be noted that cities and counties charge fees for processing use permits, variances, rezoning applications, subdivision and parcel maps, and in some cases design review applications. These fees seldom cover the actual costs involved. In fact, it is typical that these fees cover less than 50 percent of the expense incurred by the jurisdiction in processing the applications. Many of the jurisdictions indicated they had been studying the problem and were proposing revised fee schedules to more completely reflect actual costs.

Cities and counties also recover much, if not all, of the cost of conducting environmental reviews and processing environmental impact reports pursuant to CEQA for private projects by charging fees of the applicants. An increase in the current planning workload due to an increased number of applications required to be processed following certification would therefore be paid for out of application and permit fees to the extent that the fee structure reflected actual processing costs.

Any increase in the number of new permits to be processed as part of the certified implementation program would be accompanied by an increase in the inspection and enforcement workload, probably in direct proportion. Inspection and enforcement is an on-going activity of local government and is therefore not tied directly to the payment of fees. In the survey, the responses were again roughly split between those that felt the increase in the inspection/enforcement workload would be significant and those that felt it would be minor.

CHAPTER V

OTHER STUDIES RELEVANT TO COASTAL PLAN RESIDENTIAL DEVELOPMENT POLICIES

Compiled by
Legislative Analyst

A number of studies have been conducted independently of the Coastal Plan which are relevant to the costs that might be anticipated if the Coastal Plan policies regarding residential development are implemented. These studies can be used to supplement and expand the analysis contained in the ICF report. The two Coastal Plan policies most directly involved are:

Policy 59. This policy seeks to avoid "wasteful sprawl" by concentrating new residential development in already developed areas which are able to accommodate additional development. The intensity of development would be increased in existing downtown areas and in other areas which could be served by mass transit.

Policy 126. This policy states that to the extent public and other funds are available to build low- and moderate-income housing, new, replacement housing would be required as a condition of approval by the coastal commission for the demolition of existing housing and that a significant percentage of new housing within the nearcoast area should serve low- and moderate-income persons.

The studies summarized below include a federally funded study of costs and savings of alternative development patterns; a study conducted by the City of San Diego of a proposed new community; a study undertaken for the California Builders Council of the fiscal impact of ten residential projects or groups of projects in California; and the initial results of a case study at Half Moon Bay made under the auspices of the University of California, Berkeley. Each of these studies provides some analysis and information on infilling, private development costs and public sector costs of development policies similar to Coastal Plan policies.

The Costs of Sprawl

A major study was prepared for the Council on Environmental Quality, the Department of Housing and Urban Development, and the Environmental Protection Agency which gathered and summarized existing information about the different costs and benefits associated with alternative residential development patterns. The costs and benefits analyzed covered economic costs (see the cost categories in Tables 1 and 2), environmental impacts (relating to air and water pollution and noise, for example), natural resources consumption (open space, wildlife, water and energy), and social costs (including travel time and psychic costs such as those related to privacy and design features).

Table 1

SUMMARY OF COMMUNITY CAPITAL COSTS - 10,000 UNIT DEVELOPMENT
(Amounts in Thousands)

COST CATEGORY	Planned Mix	Sprawl Mix	Low Density Sprawl	High Density Planned
Open Space/Recreation	$ 2,968	$ 2,684	$ 2,684	$ 2,968
Schools	45,382	45,382	45,382	45,382
Public Facilities	16,216	16,453	16,615	16,304
Transportation - Streets and Roads	27,077	32,353	37,965	22,862
Utilities	33,227	38,684	61,974	22,432
Subtotal	$124,870	$135,556	$164,620	$109,948
Residential	214,172	214,172	320,400	160,300
Total Exclusive of Land	$339,042	$349,728	$485,020	$270,248
Land (Developed Area and Vacant Improved)	18,491	23,105	29,539	16,814
Total Capital Cost	$357,533	$372,833	$514,559	$287,062
Incidence of Cost Government/Private(%/%)	16%/84%	24%/76%	19%/81%	18%/82%

Source: Real Estate Research Corporation, The Costs of Sprawl: Detailed Cost Analysis, p. 9.

Table 2

SUMMARY OF COMMUNITY OPERATING AND MAINTENANCE COSTS - 10,000 UNIT DEVELOPMENT
(Amounts in Thousands)

COST CATEGORY	Planned Mix	Sprawl Mix	Low Density Sprawl	High Density Planned
Open Space/Recreation	$ 380	$ 260	$ 260	$ 380
Schools	9,643	9,737	9,737	9,643
Public Services	5,103	5,405	5,575	5,164
Transportation - Streets and Roads	260	261	396	209
Utilities	3,987	3,989	5,141	3,335
Total Year Ten Operating Costs	19,373	19,652	21,109	18,731
Cumulative Ten Year Operating Costs	125,265	109,489	116,827	120,919
Incidence of Cost - Year Ten Government/Private (%/%)	55%/45%	61%/39%	57%/43%	55%/45%

Note: Residential operating and maintenance costs are not estimated.

Source: Real Estate Research Corporation, The Costs of Sprawl: Detailed Cost Analysis, p. 11.

TYPES OF COSTS ANALYZED

Economic Costs (capital and operating)

- Residential (capital only)
- Open Space/Recreation
- Schools
- Streets and Roads
- Utilities (sewer, water, storm drainage, gas, electric, telephone)
- Public Facilities and Services
  - police, fire, solid waste collection
  - library, health care, churches
  - general government
- Land

Environmental Effects

- Air Pollution
- Water Pollution, Erosion
- Noise
- Vegetation and Wildlife
- Visual Effects
- Water and Energy Consumption

Personal Effects

- Use of Discretionary Time
- Psychic Costs
- Travel Time
- Traffic Accidents
- Crime

The analysis uses prototype development patterns, not actual developments, although these prototypes were based on data from empirical studies where possible. In all cases new construction was assumed which meant an absence of any existing infrastructure (roads, sewers, etc.). Typical site conditions were also assumed and then standard unit construction figures were used to estimate the costs of building alternative types of development. (The revenues generated by the different types and patterns of development were not calculated.)

Costs were estimated for six neighborhood prototypes, each having 1,000 dwelling units of a different housing type (single family houses conventionally located, single family houses clustered, townhouses, walk-up apartments with two stories, and high-rise apartments with six stores). Some major findings for the different neighborhood types are presented under paragraph 1, below.

The study also analyzed development patterns on a larger scale so that certain environmental and economic costs and benefits could be more clearly identified. Six prototype communities each having 10,000 dwelling units, a population of 33,000 and containing 6,000 acres of land were analyzed. Each community pattern contained a mixture of the various neighborhood housing types but differed in two respects, the amount of community "planning" and the average density of development. "Planning" is defined as "increased clustering or compactness of development." In paragraph 2, below, some contrasts are presented between two of the prototype communities which differ according to the amount of planning. These are:

Planned Mix Community consisting of a housing mix of 20 percent of each of the five types of dwellings, with contiguous neighborhood areas and large amounts of open space preserved; and

Sprawl Mix Community consisting of the same housing mix but with development in a somewhat random "leapfrog" pattern, with many small parcels of passed-over land remaining vacant.

In paragraph 3, below, two other prototype communities are compared. These differ according to both the amount of "planning" or clustering and the average density of development in each. They may be described as follows:

Low Density Sprawl Community consisting of single family houses, 75 percent of which are conventionally located in a grid pattern and 25 percent of which are clustered around cul-de-sacs. Neighborhoods are sited in a leapfrog pattern with small parcels of passed-over land separating neighborhoods; and

High Density Planned Community with housing composed of 40 percent high-rise apartments, 30 percent walk-up apartments, 20 percent townhouses, and 10 percent clustered single-family houses. All of the dwelling units are clustered together in contiguous neighborhoods, in the pattern of a high density "new community." Much open space remains.

Although the study was modeled on typical, nationwide residential developments and was not a direct application of Coastal Plan policies, many of its findings are pertinent to the plan. The major conclusion of "The Costs of Sprawl" is that, for a fixed number of households, "sprawl" is the most expensive form of residential development in terms of economic costs, environmental costs, natural resource consumption, and many types of personal costs. The portion of economic costs which is likely to be borne by local governments is particularly significant. The study indicates that better planning (that is, "increased clustering or compactness of development") reduces all types of costs and their incidence on government. Increasing density, however, reduces these costs per unit to an even greater extent. The data for some of these conclusions are summarized in Tables 1 and 2, and are explained in somewhat more detail below:

1. Total capital costs per dwelling unit (including residential, open space/recreation, schools, roads, utilities and land costs) are likely to be significantly less at higher densities. The range of these costs is from $48,000 for single-family conventional housing (at two units

per acre) to $20,700 for high-rise apartments (at 10 units per gross acre). Findings based on 1,000 households include:

a. The costs attributable to housing are the lowest for walk-up apartments (5 units per gross acre). These costs are only 37 percent of the costs attributable to housing for single-family developments (with a density of only two units per gross acre). The costs for housing for high-rise apartments (with a density of 10 units per gross acre) are somewhat higher than for walk-up apartments, but are still only 47 percent of the costs for housing for single-family developments.

b. Even when all the different types of dwelling units contain the same inside living area, the cost of walk-up apartments is only 57 percent of the cost of single-family houses.

c. The cost of roads and utilities for developments with 10 dwelling units per gross acre is $6.7 million less than for developments with two dwelling units per gross acre (a savings of almost 80 percent).

d. Finally, with increased density the amount of land required is substantially reduced (even though the cost per gross acre tends to be higher for increased density).

2. Planned development at any density is less costly to construct and operate than sprawl in terms of environmental costs, economic costs, personal costs and energy consumption. The cost differences are particularly

significant in terms of those costs borne by local governments. The following comparisons are for communities of 10,000 dwellings.

a. The total capital costs for the "Sprawl Mix" community is \$372.8 million compared to \$357.5 million for the "Planned Mix" community. In other words, planned community development saves \$15.3 million or 4 percent of total capital costs over sprawl development with the same mix of housing types. Other major cost savings include: A savings of just under \$11 million or approximately 15 per cent in roads and utility costs due to elimination of "leapfrogging" which incurs with costly road and utility connections between neighborhoods, and a savings of over \$4 million or 20 percent in land cost. These savings are due to more contiguous, compact development in the planned community.

b. Planned development is likely to decrease the total capital costs to local government by as much as one-third because a larger proportion of land and facilities for open space, roads, and utilities is likely to be provided by the developers rather than local government. (This of course represents a partial shift between public and private costs rather than a savings; although not reflected in the prototypes, one likely result of such a shift would be an increase in the purchase cost of housing.)

If density is held constant, capital costs borne by government are 7 percent to 8 percent less in planned communities compared to sprawl. These savings amount to $31 million in the medium density communities and $40 million in the low density communities over a 10 year development period.

c. Operation and maintenance costs of most public services such as education, recreation, sewage treatment, water supply, general government, police and fire protection are largely matters of population size rather than development pattern. Services costs for sewer, water, gas, electricity and telephone are more directly related to the consumption of resources and the amount of wastes treated than to maintenance of installed pipes and cables which is a comparatively small proportion of total costs.

d. Planned development shows significant environmental advantages over sprawl. It makes possible 20 percent to 30 percent less air pollution due to reduced automobile travel, the conservation of open space, the preservation of significant wildlife and vegetation habitats, improved site design to minimize noise impacts, and careful land use design to minimize the amount of soil distrubed and paved over. The planned development would require fewer miles of road located within areas having poor air movement or poor soils, fewer dwellings would be directly affected by noise and air pollution from expressways and arterial roads, and less woodland would be cleared which minimizes the adverse effects of development on vegetation and wildlife habitat.

e. Energy consumption is 8 percent to 14 percent less in the planned development than in unplanned developments. Water consumption is essentially the same in planned and unplanned developments unless special conservation measures are used.

f. Various personal costs such as time spent in travel, traffic accidents and psychic costs are likely to be less for planned development than sprawl. Some particular aspects of this difference are reduced automobile use and more efficient vehicular circulation in planned developments; design of facilities and use of open space to preserve and enhance the visual environment; and placing facilities in relation to one another in order to increase convenience and to reduce negative impacts such as traffic noise. (Some personal costs such as those associated with privacy and personal ownership increase with density.)

3. Although planning itself can result in savings, higher density is a more influential cost determinant. The greatest cost advantages occur when "High Density Planned" developments are contrasted with "Low Density Sprawl," as shown below for communities with 10,000 dwelling units:

a. Total capital costs for the "High Density Planned" community are $287.1 million or 56 percent of those for the conventional "Low Density Sprawl" development (with total capital costs of $514.6 million). This results in a cost savings of $227.5 million.

b. Savings in land costs amount to 43 percent ($12,725,000), with savings of 40 percent for streets ($15,103,000), and 63 percent for utilities ($39,542,000).

c. Operating and maintenance costs in the "High Density Planned" community are estimated to be approximately 11 percent ($2 million) less per year than the "Low Density Sprawl" development after completion of the total development. Savings are largely due to less road and utility pipe lengths and reduced gas and electric consumption in the high density community.

d. Compared to "Low Density Sprawl," the amount of total capital costs borne by local government may be almost 50 percent less for "High Density Planned" communities. Operating and maintenance costs borne by local government may be 13 percent less.

e. Total air and water pollution and other forms of environmental degradation are similarly reduced. Air pollutants from automobiles are reduced 50 percent and those from space heating and other natural gas uses are reduced

40 percent. Sediment is reduced 30 percent and total storm water runoff 20 percent.

f. Energy consumption is reduced 44 percent and water consumption 35 percent in "High Density Planned" communities as compared to "Low Density Sprawl" communities.

Studies by the City of San Diego

A number of studies of the fiscal impact of proposed developments have been made by the City of San Diego. Perhaps the study with the most direct bearing on Coastal Plan policies 59 and 126 is "North City West versus Equivalent Development in the Urbanized Core." Several methods were used to project the costs and revenues for a proposed development (to house 40,000 people) located outside the urbanized (developed) area of the city and for a similar amount of infilling development located throughout the urbanized areas of the city. From these projections it was concluded that the net costs of the former greatly exceeded those for the latter.

The operating expenses for the new community would result in an estimated annual deficit of $800,000 (i.e., total costs would exceed property taxes and other local revenues) whereas a similar amount of infilling in the urbanized area was projected to yield an estimated $1.7 million annual surplus for the city. These figures reflect judgments in the study that per capita service costs for the new community would be 10 percent to 20 percent higher than current per capita costs whereas they would generally be 70 percent to 80 percent lower for the urban prototype. These estimates rest on the view that the proposed new community would "impose new and additional operation and maintenance needs over that now being provided by the city to its already existing communities."

The urban prototype, in contrast, assumes that the new development would be distributed throughout the many existing communities of the city and significant amounts of this development would not be placed in any one community, thereby avoiding an overload on available city services in any community. In other words, the urban prototype was assumed to add to the "economies of scale" of already available city services.

Annual capital costs for fire stations, libraries, police services, public works facilities and parks were also analyzed for the new community and for the urban prototype. Here the total annual capital costs for the new community were projected to be $3.7 million in contrast with a projected $1.1 million for development in the urbanized area. These figures reflect estimates that the capital costs for police services and public works facilities for the urban protytype would amount to 25 percent of the projected new community capital costs for such facilities. Whereas the new community would incur costs for new fire stations and parks, the urban prototype development would require no new facilities in these categories. Capital costs for libraries were the same for both patterns of development because new facilities would be required in either case.

The Fiscal Impact of Urban Growth: California Case Studies

A study undertaken for the California Builders Council analyzes the fiscal impact of 10 residential projects or groups of projects in California on local governments and school districts. With one exception the study found that each project would generate or had actually generated a surplus of cash revenues over expenses for the cities or counties and school districts.

It is important to note that projects analyzed in this study were characterized as "the typical subdivision in the mid-price range". The study itself cautions that "it is entirely possible that an individual residential development could represent a financial drain to the city if the average assessed valuation per household were extremely low combined with high service costs." Similarly, "school districts and their cost/revenue balance may present special problems where the number of chidlren per unit is relatively high, where the ratio of state aid is low, and where the average assessed valuation per household is low."

The study also found that "typically, municipal costs increase by 10 percent per year in the absence of any growth at all.... It is apparent that if the inflation among the existing stock of real estate does not match the inflation in costs, financial problems will develop." Thus, "growth is most beneficial in cities with low appreciation rates of existing improvements... cities that are fighting problems of deterioration and obsolescence." The annual inflation in overall costs for school districts was also found to be close to 10 percent per year.

The average cost of providing services to new development which is surrounded by existing development was found to be only 60 percent to 70 percent of the average cost of providing services to the surrounding development. The basic reason for this is that it is less expensive on a per household basis to expand an existing police station, for example, because a number of the more fixed, overhead costs do not increase proportionately. Similarly, the marginal costs of educating additional students were often found to be 60 percent to 70 percent of the average cost of educating students from existing households. (Although marginal costs may be lower, from a state funding viewpoint the school district would still receive the average amount of revenue for each additional student.)

(It should be added that there are limits to lower marginal costs, i.e., economies can generally be achieved only so long as existing facilities have excess capacity. It is also important to recognize that whereas excess capacity may exist in some facilities such as a school and a sewage treatment plant, it may not exist in others, for example, water supply or roads. In such an instance the lack of excess capacity in any segment would require additional capital investment which might modify conslusions regarding projected savings. The lack of capacity might also prohibit development altogether. This point is further developed below by the Half Moon Bay Studies.)

The study points to several factors concerning which California cities differ substantially among themselves, including:

1. Stage in the "urbanization cycle" and whether property values are appreciating or deteriorating;

2. Existing capacity of capital improvements;

3. Revenue structure, i.e., diversity of economic base and assessed valuations;

4. Quality of public services;

5. Urban morphology, i.e., growth in the urban fringe versus intensification of the urban core.

School districts also represent a variety of conditions including:

1. Declining or expanding trends in average daily attendance;

2. Assessment base of the school districts;

3. Degree of financial support from county, state and federal governmental agencies.

(The level of state aid to school districts is a significant point. In general, a school district's level of state support varies inversely with the district's aseessed valuation per pupil. The lower the assessed value per pupil the higher the level of state support. Actions that (1) restrict growth in property value, (2) remove property from the tax rolls, or (3) lead to new development with lower than district average assessed value per pupil, would result in increased state school aid to districts with low assessed values. In high assessed value districts, if maintenance of existing expenditures per pupil is assumed, these same actions would result in increased local tax rates. On the other hand, development policies in a district that produce increased property values due to scarcity, such as limiting areas subject to development, could result in lower levels of state aid and/or lower local property tax rates.)

Additionally, the study notes that individual projects are found to vary as to housing type (single-family detatched, townhouse, rental apartment), density, and price range. And

> "the socio-economic characteristics of residents of a new development have a very real effect on both the demand for services such as police protection, and revenues generated through retail sales tax. The size of families as well as the age of children also affects the need for services, particularly schools. The characteristics of a particular development also have influence on the 'effective' need for services; a planned residential development with private common areas and recreational facilities obviously reduces the effective need for public parks."

Each of these variables, whether related to the characteristics of the governmental jurisdiction within which a project would be built, to the nature of the project itself, or to the socioeconomic makeup of the residents of a project, has the potential to influence the project's impact on the fiscal well-being of the local governments in question.

Half Moon Bay Studies

"Government Costs and Revenues Associated with Implementing Coastal Plan Policies in the Half Moon Bay Subregion" is one of several studies of the anticipated impact of the Coastal Plan in the Half Moon Bay area which are currently being conducted by the University of California, Berkeley. Both the assumptions underlying this study and the study's results are worthy of note here.

A basic assumption of the study is that the ambiguity of some of the plan policies will provide considerable flexibility in interpretation, especially as regards their application in the context of the land use and population growth decisions which will confront local governments in implementing the Coastal Plan. Thus, the study begins with four alternative population levels and development patterns for the 58 square mile area which are consistent with Coastal Plan policies. Briefly stated, these alternative scenarios are:

Alternative 1. Residential growth is limited to infilling in existing urbanized areas, and is also limited in density. The agricultural protection policies of the plan are strictly interpreted, limiting conversions of prime lands to parcels of less than ten acres. The level of development is based on the limited remaining capacity of Highways One and 92. This alternative would accommodate an additional population of 1,400. (The present population of the area is estimated to be 13,590). The development which would occur under this scenario would be preponderantly duplex units (58 percent) rather than single family homes (42 percent), thus significantly reducing the ratio of students to overall population while still generating proportionally high revenues.

Alternative 2. The basic difference between this scenario and Alternative 1 is that the constraint on the level of development in developable areas is based on the current limitations of the sewer and water systems of the subregion. This would allow an additional population of 5,400. Another difference is that a much larger portion (72 percent) of the new residential units have been designated as single family homes, generating more students per residential unit and a lower assessed value per student.

Alternative 3. Here the same interpretation of agricultural protection policies is made as in the first two scenarios. Development under this alternative would also be by infilling in already built-up areas. The level of population, however, is determined by what would be allowable in accordance with existing zoning. The percentage of new housing in single family units remains the same as under Alternative 2. This scenario allows for a potential population growth of 10,400. It would require major capital costs in sewer and water improvements.

Alternative 4. This alternative is based on a more flexible interpretation of the agricultural policies of the plan, allowing conversions of lands that are substantially surrounded by development and where continued productive use for agriculture is questionable. Development under this scenario differs from alternative 3 principally in that it provides for a larger number of multi-family dwellings (41 percent) in the new residential development thus producing fewer students in relation to assessed value.

Two other scenarios are not based upon Coastal Plan policies:

Alternative 5. This scenario is based on the growth that would be allowed under the existing City of Half Moon Bay General Plan and San Mateo County General Plan which permit a population growth of 40,500 people. The pattern of development would involve almost exclusively single-family homes (92 percent) and a lower assessed value per student than in scenarios with a greater proportion of multi-family dwellings. Capital costs are incurred for fire protection improvements for both this alternative and Alternative 6.

Alternative 6. This scenario is based on full development according to the San Mateo County General Plan. The potential population growth would be 47,000 people but a smaller percentage would be housed in single family dwellings than in Alternative 5 (72 percent as opposed to 92 percent) resulting in a more favorable student to assessed value ratio.

The study found generally that the more growth allowed, the more public service costs per person tend to exceed local government revenues. The principal cause of this widening gap is the major capital cost of sewer and water improvements to serve a population exceeding 19,000. (This level of population is exceeded in all but the first two alternatives).

In addition to capital costs, significant fiscal impacts were also attributed to the land use mix of the various alternatives. The area remains primarily a residential area under all six alternatives. This accounts in large measure for the revenue deficits projected under all the scenarios. The amount of this deficit, however, ranges from $3.25 per capita (per year) for the most restrictive population policy (Alternative 1) to $46.42 for one of the least restrictive policies (Alternative 5). After differences due to the capital costs associated with growth beyond the 19,000 population threshold have been taken into account, most of the remaining differences between the alternatives is attributable to the fiscal effects of the ratio of single-family to multi-family unit residential development.

A final point brought out by this study is that while overall local government units show a deficit in all the scenarios, in some of the scenarios certain local government entities (the school district and the city) show a surplus while other local government entities (the county, junior college district, water district, sanitary district and fire district) show deficits. Thus the impact of population growth and land use pattern policies may have different fiscal impacts on different local government entities.

Additional studies of Half Moon Bay will be released by the University as they are completed.

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CHAPTER VI

STATE COST AND REVENUE FACTORS

Prepared by
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The Coastal Plan contains several cost considerations which directly affect the state. The following sections pertain to the support cost of the successor State Coastal Agency and the State Coastal Conservation Trust as presented in Part III, Government Organization and Powers of the Coastal Plan. Other matters discussed are the costs of acquisition of coastal properties recommended for state acquisition and the impact of selected tax policies. Estimated costs for existing state agencies are included in Supporting Document F, Volume II of this report.

State Coastal Agency

The Coastal Plan proposes that the Legislature establish a successor commission to the California Coastal Zone Conservation Commission as established by Proposition 20. The successor agency would manage the coastline as provided in the plan. Estimating the support cost of the State Coastal Agency involves recognition of two different time periods. (The plan uses the term "agency" when referring to the state and regional commissions).

First, the Coastal Plan recommends that the existing system of state and regional coastal commissions be continued until the local implementation plans and programs are prepared and certified by the state commission. This estimate makes the assumption that the interim implementation period will extend from January 1, 1977 until January 1, 1981, which is the maximum time allowed by the Coastal Plan. Second, after the local programs are certified, the regional commissions will be phased out. Local governments will thereafter regulate coastal conservation and development with their decisions and actions subject to appeal to the State Coastal Agency.

This cost estimate for the State Coastal Agency pertains only to the four-year interim period from 1977 to 1981, which is a sufficient time period to estimate cost and workload factors. Cost estimates beyond 1981 are speculative because so many variables are involved.

During the four-year interim period leading to local implementation, the Coastal Plan provides for the following assignment of responsibilities:

1. The existing permit and appeals system of the state and regional commissions will remain in effect except that the standards for approval or denial of a permit are to be consistent with Coastal Plan policies rather than Proposition 20.

2. In addition, permits from the State Coastal Agency will be required for the following developments:

   a. Any conversion within the coastal resource management area of prime agricultural land to nonagricultural use.

   b. Conversion or subdivision of other agricultural land in parcels of 20 acres or more within the coastal resource management area.

c. Any major water, sewer, transportation or energy developments in the coastal zone that could adversely affect coastal resources.

d. Environmental and land use aspects and determination of need for locating major energy facilities in the coastal zone.

e. Major watershed projects near coastal streams within the coastal resource management area.

3. The planning responsibilities are assigned as follows:

a. The coastal agency shall assist local governments in preparing their implementation programs by providing data, staff support, and technical assistance where requested.

b. The coastal agency shall prepare subregional plans for some areas. The plan identifies 53 subregions along the coast.

c. The state and regional commissions must certify the local plans and programs of 61 cities and 15 counties within the four-year period. The certification process requires a public hearing for each local program.

4. The coastal agency shall add to its staff an administrative advisor with functions similar to the advisor of the State Energy Resources Conservation and Development Commission to ensure open consideration of, and public participation in coastal agency matters.

5. The coastal agency may issue cease and desist orders. The Attorney General shall represent the coastal agency in judicial proceedings and provide legal advice.

Permit Fees. The Coastal Plan recommends that revenues from permit processing fees be used to defray a portion of the cost of administering the permit system. The plan estimates that the interim coastal agency permit and appeals process would cost $1 million to $1.5 million per year, based on the experience of the existing coastal commissions. In 1974-75, the coastal commissions received $328,855 in revenue from permit fees.

The state cost for administering permits can be expected to decline as local implementation programs are prepared and certified. In turn, local costs for issuing permits would increase as local programs become effective.

Estimated State Coastal Agency Support Costs. The Coastal Plan recommends that the Legislature annually appropriate between $2 million and $3 million to support the planning and regulatory activities of the State Coastal Agency and as matching money for federal grants. The amount recommended is low due to such factors as follows:

1. The Governor's Budget for 1976-77 provides $3,257,355 in state funds to support the commissions and provide funds to match federal grants of $851,768. This cost is higher than the plan estimate.

2. During the four-year interim period the state and regional agencies will have some additional workload for permits not required by Proposition 20. The commission would have revenue from permit fees to offset some of this added cost. Also, as local programs are certified, the state regulatory activities will decline and local regulatory activities will increase.

3. Based on the experience of the State Energy Resources Conservation and Development Commission, the administrative advisor will require additional funding of $100,000 annually.

4. The Coastal Plan estimates local government costs to prepare implementation programs at $2 million to $2.5 million or about $700,000 to $800,000 per year over a three-year period. The report of the Office of Planning and Research, "The Costs of Local Implementation of the Coastal Plan," (Supporting Document C) suggests that the cost of local implementation will exceed the plan estimates. The report indicates that, based on the average cost of the local agencies surveyed, the total cost would be $3.4 million or about $1.1 million annually. Even this amount appears substantially low in view of the comprehensiveness and complexity of the work proposed for the subregional plans.

5. The Coastal Plan requires the protection of the "coastal viewshed" and the visual quality of highly scenic areas. ENVIRON/MENTAL, consultants for this SR 41 report, have recommended visual analysis mapping to record and identify essential visual attributes. The one-time cost of a preliminary program for the entire coast is estimated from $50,000 to $100,000.

The Attorney General has estimated his first year cost for legal services to the State Coastal Agency would be comparable to the existing level of $582,000. Also, the Attorney General estimates the workload would decline over a five-year period so that the number of attorneys required would decrease from nine in the first year to four by fiscal year 1981-82.

Based on these cost factors, we estimate the minimum annual state cost of the State Coastal Agency to be about $3,750,000 during the interim period and believe that it could be substantially higher. Revenue from permit fees was $328,855 in 1974-75. The net amount of at least $3,425,000 would be financed by the General Fund.

Federal Funds. The Coastal Plan recommends the use of federal funds to implement the policies. The Coastal Zone Management Act of 1972 authorizes management program development grants under Section 305 and administrative grants under Section 306. Federal law restricts each state to no more than three annual Section 305 grants. The State Coastal Commission has already received the three grants authorized by Section 305.

The Section 306 administrative grants can provide federal funding for a maximum of two-thirds of the cost of administering the management program. However, the federal act restricts the authorization for these grants to $30 million nationwide for each fiscal year through 1977 with the further restriction that no annual grant to a state shall be in excess of 10 percent of the annual appropriation. Under existing authorization, the maximum amount the State of California could receive through 1977 under Section 306 would be $3 million. Congress is now considering legislation to extend the authorization and increase the appropriation for Section 306 grants.

The Office of Planning and Research (OPR) indicates that only a small amount of federal "701" funds of the U.S. Department of Housing and Urban Development is available to implement the Coastal Plan. According to OPR, approximately $50,000 of these funds probably will be available in 1976-77 for two local planning grants; one for Santa Monica and the other for a special study on agriculture in Ventura County.

Coastal Conservation Trust

The Coastal Plan recommends that a Coastal Conservation Trust be established by the state to assist in land acquisition and restoration of degraded coastal lands. Among other powers, the trust would be authorized to:

(1) acquire prime agricultural land proposed for conversion to other use to prevent urban intrusion into agricultural areas,

(2) acquire subdivided lots and other lands for resale or lease for uses consistent with the Coastal Plan (this would be one means to finance the redevelopment concept discussed in the ICF report).

(3) acquire easements and development rights on lands adjacent to public parks to create buffer zones.

(4) make grants to state and local agencies for fee or less than fee interest in land acquisitions and to maintain lands providing public access to the coast.

The Coastal Plan suggests that the Conservation Trust would work with and complement the responsibilities of the Real Estate Services Division of the Department of General Services and the Department of Parks and Recreation. Funds from the bond issue proposed by the Coastal Plan would be made available to the trust for land acquisition and presumably for grants to local government.

The cost of the trust's staff would require annual General Fund appropriations. That cost is unknown. However, we estimate an initial annual cost of $250,000 for a small staff consisting of an executive director, three professional positions, clerical assistance and some contractual services. The cost for land management would probably increase markedly as the Conservation Trust acquires fee or lesser interests in land. These costs would be assumed by the state agency designated to manage the land, i.e., Department of General Services, Department of Parks and Recreation or the Coastal Conservation Trust.

State Coastal Acquisitions

The Coastal Plan proposes an extensive acquisition program by the state of areas along the coastline which the Coastal Commission has preliminarily estimated will cost between $180 to $200 million. In the middle of March the State Coastal Commission completed its selection of the priority acquisitions which it proposes, largely as additions to the state park system.

The acquisition costs of the priority selection of projects was being estimated by the Real Estate Services Division of the Department of General Services at the time this SR 41 report was being completed. The estimated costs will be released as soon as available which will probably be the first of May.

Information on the purchase of development rights and scenic easements including the most appropriate application of these techniques is contained in a letter from the Real Estate Services Division. The letter is Supporting Document D in Volume II of this SR 41 report.

Policies on Taxation

A wide variety of taxes to support the costs of administering the Coastal Plan are suggested in the plan. Some of these taxes or revenue devices are only generally described, others cannot be related to expenditure needs until the amount of expenditures can be more precisely determined, and still other taxes are intended to serve social or resource conservation objectives rather than to raise revenues.

Three of the more definite tax recommendations are discussed below for illustrative purposes. It is apparent that these taxes are difficult to relate to the coastline of California both with respect to their collection and their impacts.

Death Tax Revisions (Policy 31b). This policy proposes a revision of state and federal death taxation. It suggests considering the alternatives of (1) exempting farm families from state inheritance taxes after permanent use restrictions have been placed on crop or grazing lands or (2) changing state inheritance taxes, similar to current federal legislation recently introduced, in order to reduce such taxes for farm families. The stated purpose is to prevent tax payment hardships to agricultural landowners from the required liquidation of agricultural real property to meet death taxes.

Although similar situations with regard to death taxes arise with many other types of estates, it is argued that agricultural property poses "special" problems because it often represents large capital investments with relatively low rates of return, thus causing short-term liquidity and cash-flow complications. Many tax experts have long supported the general principle that death tax laws should provide a payment period sufficiently long to avoid losses from forced liquidation.

It is important to recognize however, that the preservation of "family farms" and existing structures of agricultural property ownership through death tax reforms is not a prerequisite to achieving the Coastal Plan's goals of preserving agricultural land and maintaining desired farm output. Such goals may be directly realized through permanent use restrictions placed on crop or grazing lands. With this in mind, federal and state death taxes are discussed below as relatively separate tax issues and in the context of (a) existing law, (b) proposed reforms, and (c) selected economic considerations.

Federal and California death taxes exhibit both similarities and significant differences. The federal death tax is an estate tax levied on the right to transmit property and imposed upon the estate as a whole. For example, federal law allows for a single exemption of $60,000 per estate. In contrast, California levies an inheritance tax on the right to receive or succeed to property. This inheritance tax is based on the share of a decedent's estate which passes to each beneficiary, with tax rates and exemptions varying according to the relationship of each individual beneficiary to the decedent. For example, state exemptions include $60,000 for a surviving spouse, $12,000 for a child under 18 years of age and $5,000 for a child over 18 years of age.

Existing federal law presently provides that under certain circumstances the estates of farmers and small businessmen can be exempted from the normal nine month tax payment period. The estate tax as exempted can be paid in installments over a ten-year period subject to a seven percent annual interest charge. Existing California inheritance tax law provides for no corresponding deferral of state death tax liabilities.

Proposed reforms of both state and federal taxes have focused on encouraging continued family ownership of small farms and businesses by making it easier to pass estates to families by (1) increasing death tax exemptions and deductions (in part to compensate for past inflation) and (2) extending and/or deferring death tax payment periods.

At the federal level the Administration has recently proposed that estates of small entrepreneurs be granted a five-year deferment of estate tax liability, plus 20 years in which to pay the tax liability in installments (subject to an annual four percent interest charge on the unpaid balance). Heirs would thus receive the equivalent of an interest-free five-year government loan followed by a 20-year loan at a subsidized interest rate. This 25-year payment proposal would apply only to the tax on the first $300,000 of estate value (subject also to specified ownership and estate requirements), with a dollar-for-dollar decline in the qualifying ceiling for estate values exceeding $300,000. In addition to this Administration proposal, legislation has recently been introduced in both Houses of Congress (for example, H-2417 and S-227) to raise the federal estate tax exemption for family farms from the current $60,000 to $200,000, subject to certain restrictions concerning ownership, residence and property use. Other proposals have been to value farm estates on the basis of their use for farming purposes (not high value alternative uses) or to increase the marital deduction.

State legislation was recently introduced in California (AB 2917) to (a) exempt from inheritance taxation the first $250,000 of clear value of property used for business which is the "primary" source of income for a family (provided that the property is being transferred to a surviving spouse and/or children, and with "primary" source of income defined as not less than 75 percent of all income earned), and (b) allow inheritance taxes on farm property inherited by a spouse or child to be paid over a 10-year period in ten equal installments plus an appropriate rate of interest.

Table 1 presents hypothetical death tax liabilities for each of four different gross estate values ranging from roughly $100,000 to $2 million. The approximate federal estate and California inheritance tax liabilities for each hypothetical estate are shown for the two cases of spouse as sole beneficiary and child over 18 as sole beneficiary, subject to specified assumptions concerning charitable bequests, funeral and administrative expenses, etc. Tax liabilities are shown under existing law as well as under the assumption of simultaneous increases to $250,000 in both the federal estate exemption and the California exemptions for beneficiaries.

These computations illustrate the potentially significant liquidity problems which death taxes can cause, especially in the absence of any extended or deferred pay-back plan. As a means of comparison, annual real property taxes on each estate in ascending order of value would be $3,375, $6,500, $13,000 and $52,000, assuming that real property comprised the entire estates and was taxed at a rate of 2.5 percent on market value.

Table 1

Approximate Federal Estate and California Inheritance Tax Liabilities For Selected Estate Values, Beneficiaries, and Exemption Assumptions/a

Assumptions	Surviving Spouse Net Federal Tax	Surviving Spouse State Tax	Surviving Spouse Total	Child Over 18 Net Federal Tax	Child Over 18 State Tax	Child Over 18 Total
A. Existing law with gross estate value of:						
$ 135,000	-0-	-0-	-0-	$ 9,340	$ 6,200	$ 15,540
260,000	$ 8,130	$ 3,600	$ 11,730	39,780	15,600	55,380
520,000	39,780	13,400	53,180	102,100	43,000	145,100
2,080,000	245,180	105,200	350,380	566,120	236,200	802,320
B. Exemption change/b to $250,000 with gross estate value of:						
$ 135,000	-0-	-0-	-0-	-0-	-0-	-0-
260,000	-0-	-0-	-0-	-0-	-0-	-0-
520,000	-0-	-0-	-0-	$ 50,820	$ 25,400	$ 76,220
2,080,000	$185,760	$ 89,800	$275,560	494,300	218,600	712,900

/a Computations assume no charitable bequests. Funeral and administrative expenses, claims, commissions, etc., assumed to equal approximately 11% of gross estate value. Other than the appropriate "specific" inheritor and marital exclusions exemptions and deductions, no other exclusions, exemptions and deductions are assumed. Only one inheritor is assumed per estate. Additional inheritors would reduce the state, but not the federal, tax liability.

/b Federal estate exemption assumed to rise from $60,000 to $250,000 per estate. Specific California exemptions for surviving spouse and son over 18 assumed to rise to $250,000 from $60,000 and $5,000, respectively. Federal estate tax schedules for estate taxes and state death tax credits are based upon taxable estate value minus estate exemption and are assumed to be identical for cases A and B.

Table 1 shows that the hypothetical exemption increase effectively eliminates both federal and state death tax liabilities for smaller estates, thereby reducing the need for such estates to be liquidated in order to meet tax liabilities. This outcome satisfies the goal that death taxes should be levied so as to avoid losses from forced liquidation. However, the effect of such a change is not "neutral" in its effects on the economy for a number of reasons:

(1) Preservation of agricultural lands as recommended by the Coastal Plan can be achieved through application of land use restrictions, apart from both the size and ownership characteristics of individual agricultural properties. Death tax reforms to reduce the liability for small estates encourages the preservation of small estates relative to large estates, other things being constant. To the extent that smaller and larger farms differ in productive efficiency and/or labor intensiveness, such reforms could eventually impact on agricultural output, employment and prices.

(2) The extension or deferral of payment of death taxes can be applied to all types and sizes of estates, eliminating the need to liquidate any such property. State and federal tax revenues, although distributed somewhat differently in time, would be maintained. In contrast, actual reductions in death taxes for small farms or estates involves both equity considerations and government fiscal effects. Lost tax revenues, for example, must be met by either reducing government expenditures or heavier reliance on the taxation of larger estates or other tax sources.

(3) Tax reductions for smaller farms could indirectly subsidize less efficient farming operations, whereas payment period extensions would free agricultural property ownership from short-term liquidity considerations and be consistent with long-term productive efficiency and optimal resource allocation.

(4) The objective of the Coastal Plan is to preserve the unusual agricultural attributes of the coastline and to continue the esthetic qualities of agricultural land. This objective need not necessarily be related to the size of farming operations. Heirs to large farms have liquidity problems due to death taxes which are somewhat similar to the problems of heirs to smaller farms.

Tax Timber at the Time of Harvest (Policy 39). This recommendation, which is presently proposed in California legislation, addresses the following two major problems apparently facing the timber industry and timber producing counties:

First, virgin timber and mature timber is presently taxed according to guidelines published by the State Board of Equalization in the same manner as all other real and personal property. The value of timber on each parcel subject to tax is determined by (1) comparison with similar parcels which have recently been sold, (2) measurement of total volume of standing timber located in each parcel, or (3) capitalizing the potential income from the existing stand of timber located on lands under open-space contracts. The tax is assessed on all timber located on the parcel regardless of whether any trees are cut during the assessment year.

Consequently, rational market behavior and sound forest management practices that might otherwise prevail are distorted to the extent that timber owners cut trees as a means of financing the annual payment of property taxes.

Second, the industry and county assessors contend that timber is harvested as a means of avoiding payment of property taxes on remaining timber stands. Article XIII, Section 3(j) of the Constitution exempts timber from property taxation if 70 percent of the trees over 16 inches in diameter are removed. A number of counties have reported that they are experiencing a decline in timber assessed value because owners are cutting trees in a pattern designed to exempt remaining stands of timber.

Table 2 lists the 11 counties which are either major producers of timber or who heavily depend on timber property tax revenues.

Table 2

California Timber Producing Counties
Timber Property Tax Revenues as Percent of Total
Property Tax Revenues
(1974-75)

County	Timber Property Tax Revenues	Percent of Total Property Tax Revenues/a
Humboldt	$9,275,937	23.1%
Del Norte	4,178,332	60.0
Shasta	3,293,316	10.8
Siskiyou	3,443,800	25.4
Mendocino	3,824,156	15.9
Trinity	2,057,471	47.5
Placer	1,542,096	4.5
Plumas	1,253,048	16.9
El Dorado	810,657	2.9
Sierra	473,558	35.8

Source: Senate Select Committee on Taxation of Timber and Timberland.
/a Property tax revenues includes state reimbursements for homeowners and business inventory exemptions.

The data in Table 2 reveal two important points. First, a number of these counties rely heavily on revenues generated from the taxation of timber. Second, only three of these counties have forest properties located within the coastal zone. However, any proposed change in the taxation of timber must be applied to all timber properties located in California.

Assembly Bill No. 1258 incorporates the recommendation of the Coastal Plan by proposing the following:

1. Beginning with the 1977-78 fiscal year, exempt standing timber from ad valorem property taxation.

2. Beginning April 1, 1977, impose a six percent yield tax on harvested timber.

3. Establish timberland preserve zones, the use of which shall be enforceably restricted to uses compatible with growing timber.

The six percent tax, which is also imposed on timber harvested from federal lands, is designed to guarantee local government revenues equal to the average annual property tax revenues collected from timber during the 1973-74 to 1975-76 period.

Provide Property Tax Relief for Owners of Historic Property (Policy 151e). This proposal recommends the enactment of legislation which would allow cities and counties to contract with owners to preserve historic properties in return for preferential assessments.

Present statutory law authorizes cities or counties to establish historic zones and contract with owners for a minimum period of 20 years to preserve and restrict the use of historic properties. Present law also authorizes the establishment of contracts only on parcels designated as State Historic Land Marks or listed in the National Register of Historic Sites. The existence of such contracts requires the assessor to (1) recognize the restricted uses of such property, and (2) prohibits him from using a comparable sales approach as a determinant of value unless comparable parcels are similarly restricted. Such contracts do not constitute enforceable restrictions, however, and therefore the assessor is not allowed to value such properties in accordance with Article XIII, Section 8, the open space provision of the Constitution. Assembly Constitutional Amendment 11, which is Proposition 7 on the June 1976 election ballot would authorize the Legislature to extend the existing open space land assessment procedures to properties of historic significance.